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1990
Financial Condition
of
Medical Malpractice JUAs

Prepared for the National Coordinating Committee
on Medical Malpractice JUAs.

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the National Coordinating Committee on Medical Malpractice JUAs

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EXECUTIVE SUMMARY

The financial condition of the twelve active medical malpractice joint underwriting associations (JUA) is of continuing concern to the property/casualty insurance industry. These JUAs provide professional liability coverage for health care providers in Florida, Kansas, Massachusetts, Minnesota, New Hampshire, New York, Pennsylvania, Rhode Island, South Carolina, Texas, Virginia, and Wisconsin. Based on their 1990 financial results, only two, Pennsylvania and Virginia reported a statutory surplus. Florida, Kansas, and Texas each reported a zero dollar surplus. Minnesota data was not available. The other six reported statutory deficits ranging from negligible to more than $650 million. In the six states with deficits, insurers can be assessed to cover the deficits, although to date no JUA, except Texas, has assessed insurers.

In 1985, the National Coordinating Committee on Medical Malpractice JUAs was reactivated. The Committee was originally created in the late 1970's to assist fledgling medical malpractice JUAs and was later deactivated. Upon reactivation, the Committee established the Financial Data Subcommittee to examine the financial condition of medical malpractice JUAs. The Subcommittee was specifically charged to collect data on the financial condition of each JUA and to issue a report accurately reflecting each JUA's financial condition. This is the sixth report. The earlier studies found that the invested assets of several JUAs were insufficient to pay all existing claim liabilities even after taking into consideration the investment income expected to be earned on those invested assets.

As with earlier studies, the amount of data supplied by the JUAs varied resulting in the analysis not being as thorough for some JUAs. The analysis for each JUA concentrates on assets, cash flow, statutory reserves, discounted reserves, and rate filing history.

The results of this study that are based on the discounted reserves need to be interpreted as conservative results because the discounted reserves are very sensitive to the assumptions behind the discounting. If the assumptions prove to be optimistic, JUAs appearing to have sufficient funds to pay claim liabilities may not, and JUAs appearing to have insufficient funds to pay claim liabilities will have even larger shortages.

Major Findings

- The Rhode Island JUA is the only one estimated to have insufficient funds to pay all existing claim liabilities even after taking into consideration the investment income to be earned on current assets. The deficit is estimated to be $23.2 million. The Rhode Island JUA deficit has steadily decreased over the past several years. In 1988, the deficit amounted to $66.1 million which declined to $42.5 million in 1989.
- Ten other JUAs, Florida, Kansas, Massachusetts, New Hampshire, New York, Pennsylvania, South Carolina, Texas, Virginia, and Wisconsin, appear to currently have sufficient funds to pay existing claim liabilities if future investment income expected to be earned on current funds is taken into consideration.

Surplus in Millions

JUA	1990	1989	1988
Florida	$30.3	$10.0	$(10.5)
Kansas	1.9	5.6	4.1
Massachusetts	75.6	(117.9)	(185.4)
New Hampshire	1.8	12.7	4.9
New York	108.1	117.0	(223.8)
Pennsylvania	11.8	8.2	4.3
South Carolina	9.2	7.8	0.9
Texas	39.8	45.4	42.3
Virginia	1.5	1.8	5.1
Wisconsin	23.6	21.7	12.0

The Massachusetts deficit was eliminated in 1990 due to a substantial reduction in reserves. The surpluses in Florida, Pennsylvania, South Carolina, and Wisconsin increased in 1990. The surpluses for the other JUAs all decreased during 1990.

Deficiencies, however, could quickly develop for any of these JUAs if reserves are understated, current investment yields are not maintained, claims are paid sooner than expected, or if securities have to be sold at less than full value in order to pay claims.

- Over the last three years actual claim payments to claimants with injuries from 1987 and prior have been less than expected for five of the JUAs and higher than expected for a sixth. For the other JUAs, figures are unavailable.

Claim Payments in Millions

JUA	Actual	Expected
Florida	$24.8	$48.7
New York	76.3	167.8
Rhode Island	49.8	78.7
South Carolina	19.5	22.7
Texas	58.1	50.6
Wisconsin	36.0	44.6

- Based in part on actual payments having been lower than expected, several JUAs have reduced reserve estimates for prior years.

Reserve Reductions in Millions

JUA	1990	1989	1988
Florida	$26.9	$12.3	$2.7
Massachusetts	139.6	57.7	N/A
New York	12.6	608.7	118.8
Rhode Island	44.3	26.7	22.5

N/A – Not available

- These findings show the volatility in the JUAs' financial results. The volatility makes it difficult to precisely quantify their financial condition. What can be concluded despite the volatility is:
  - The Massachusetts JUA financial condition appears to have improved considerably as a result of the latest reserve reduction. A surplus now exists after consideration of future investment income.
  - Significant reserve reevaluations on the part of the Florida and New York JUAs have resulted in current funds being sufficient to cover existing liabilities when future investment income is considered.
  - Rhode Island JUA's financial condition appears to be slowly improving but a large deficit continues to exist even after consideration of future investment income.
  - The Pennsylvania, South Carolina, and Wisconsin financial conditions have improved.
  - After improving the last two years, the financial condition of the New Hampshire JUA has deteriorated.
  - The Texas JUA is financially the strongest.

- A substantial change in the growth of medical malpractice costs seems to be one reason for the improvement seen in the JUA financial results. Medical malpractice costs nationwide grew 20% a year until the early to mid-eighties. They have grown 10% a year since. Lower claim frequency appears to be responsible for the cost reduction. The lower cost increases and declining frequency have been seen in many of the JUAs.

Additional Findings

Other findings include:

- Market Share - The market share for most JUAs did not change significantly between 1989 and 1990. Seven JUAs, Florida, Kansas, Minnesota, New York, Pennsylvania, Texas and Virginia act as true residual markets. The other five are essentially the only market for individual health care providers.

Market Share

JUA	1990	1989	1988
Florida	2.1%	5.0%	5.0%
Kansas	8.3	12.1	8.8
Massachusetts	86.5	87.5	87.6
Minnesota	N/A	0.4	0.4
New Hampshire	64.0	62.5	63.1
New York	15.5	18.7	20.0
Pennsylvania	1.8	2.1	3.3
Rhode Island	80.7	89.1	85.1
South Carolina	52.7	58.9	55.4
Texas	5.8	8.0	8.8
Virginia	3.9	2.0	3.3
Wisconsin	23.5	22.3	27.9

N/A - Not available

- Investment Yields. The investment yields were generally up from 1989 to 1990. In some instances they declined slightly.

Investment Yields

JUA	1990	1989	1988
Florida	8.5%	8.3%	7.9%
Kansas	8.6	7.7	5.3
Massachusetts	9.0	8.0	7.6
Minnesota	N/A	6.0	7.8
New Hampshire	7.7	8.4	8.8
New York	9.0	8.8	9.2
Pennsylvania	7.9	8.2	7.4
Rhode Island	9.1	8.8	8.0
South Carolina	8.1	8.0	8.0
Texas	8.4	8.3	8.1
Virginia	8.3	8.5	8.3
Wisconsin	7.8	7.8	7.8

N/A - Not available

- Cash Flow - Three JUAs reported negative cash flow in 1990 while the others continued to have positive cash flow.

Cash Flow
($ in Millions)

JUA	1990	1989	1988
Florida	$2.1	$10.4	$9.6
Kansas	(1.6)	0.9	0.5
Massachusetts	125.8	110.8	136.6
Minnesota	N/A	0.2	0.5
New Hampshire	14.1	14.9	10.6
New York	214.6	220.0	117.1
Pennsylvania	(2.7)	(1.3)	4.6
Rhode Island	15.6	22.2	22.0
South Carolina	4.8	8.3	4.6
Texas	(13.7)	7.2	4.4
Virginia	2.8	(0.3)	2.8
Wisconsin	13.8	15.8	8.9

N/A - Not available

Introduction

In response to the medical malpractice crisis of the mid-1970's, many states enacted laws allowing the insurance commissioner to establish a joint underwriting association (JUA) if the commissioner deemed the JUA necessary in order to provide medical malpractice liability coverage for health care providers. Ten of the medical malpractice JUAs established in the late 1970's still offer coverage to health care providers. These JUAs exist in Florida, Kansas, Massachusetts, New Hampshire, New York, Pennsylvania, Rhode Island, South Carolina, Texas, and Wisconsin. The market shares for these JUAs range from 2% to almost 90%. Virginia, Minnesota, and Puerto Rico established or activated medical malpractice JUAs in 1985 and 1986. Although it is too early to analyze the financial condition with any precision, information on the Virginia JUA is presented in this report.

When the National Coordinating Committee on Medical Malpractice JUAs was reactivated in 1985, one of its main concerns was the financial strength of the medical malpractice JUAs. All states except Pennsylvania currently have provisions to assess insurers to cover unfunded JUA liabilities. A review of the JUA 1990 statutory results below illustrates the potential magnitude of the possible assessments. The deficits ranged from negligible to more than $650 million dollars.

In response to this concern, the Committee created the Financial Data Subcommittee charging it with the responsibility of collecting data on the financial condition of each medical malpractice JUA and issuing a report accurately reflecting each JUA's financial condition.

After reviewing existing public documents including annual statements and financial reports, the Subcommittee concluded that additional data was needed to fulfill its charge. To this end, the Subcommittee designed a survey to collect data regarding historical claim payments, anticipated reserve runoff, reserve development, claim detail, investment data, and rate filing history in addition to selected annual statement data items. The form has been sent to each of ten JUAs on six different occasions. Virginia participated in the latest three efforts.

Statutory Balance Sheet for Medical Malpractice JUAs ($ in thousands)

State	Statement Date	Assets	Liabilities	Statutory Surplus
Florida	12/90	$81,245	$81,245	$0
Kansas	6/90	5,165	5,165	0
Massachusetts	12/90	828,472	1,149,701	(321,229)
New Hampshire	12/90	93,159	141,064	(47,905)
New York	12/90	1,041,185	1,698,048	(656,863)
Pennsylvania	12/90	59,614	48,280	11,334
Rhode Island	12/90	149,726	265,248	(115,522)
South Carolina	12/90	47,716	53,210	(5,494)
Texas	12/90	130,577	130,577	0
Virginia	12/90	8,200	8,282	(82)
Wisconsin	12/90	119,475	129,147	(9,672)

In this latest effort, eight JUAs, Florida, Massachusetts, New Hampshire, New York, Rhode Island, South Carolina, Texas, and Virginia completed and returned the entire questionnaire. For various reasons, two JUAs, Kansas and Pennsylvania, supplied only annual statement data. Wisconsin supplied annual statement data and some additional data. Minnesota data was not available. This report analyses the data from the sixth request and includes the exhibits from the prior year.

The analysis for each JUA concentrates on:

- Assets – including portfolio mix, investment quality, yield, and bond maturity.
- Cash Flow – including income and expenditure components.
- Statutory Reserve – including pending claim reserves (reserves for claims actually reported to the JUAs, but not yet settled) IBNR claim reserves (reserves for claims not yet reported to the JUA), loss adjustment expense reserves, pending claims, average pending claim size, and developed reserve as of the latest valuation date.
- Discounted Loss and Loss Adjustment Expense Reserves – including comparison to invested assets, and an estimate of when invested assets can be expected to be exhausted if (1) the discounted reserve is larger than the invested assets and (2) the JUA has no additional income. The latter assumption is not realistic for an on-going JUA but is used to illustrate how long a JUA could pay claims before exhausting current assets if it stopped issuing policies as others have done in the past.
- Rate Filing History – including a comparison of requested rate changes to approved rate changes.

The most critical part of the analysis is the discounting of loss and loss adjustment expense reserves. Discounting provides an estimate of the current amount of funds which if invested will be sufficient to pay current liabilities as they become payable in the future. If the discounted value is less than current funds, all future payments can be expected to be made. If the discounted value is greater than current funds, funds can be expected to be exhausted before all claims are paid. In the latter case, insurers may have to provide the additional money to pay the claims.

Four critical assumptions are inherent to discounting. The discounting assumptions are:

- The total loss and loss adjustment expense reserve is adequate. If current reserves are inadequate, the discounted value of the future payments is understated.
- The reserve runoff will occur as predicted. If claims are paid sooner than expected, the discounted reserve will be understated.
- The embedded yield (weighted average investment return) on the bond portfolio will be obtained throughout the runoff period. For most states the current embedded yields are 8%–9%. The bonds for most JUAs will mature before the funds are needed to pay claims. The funds, therefore, will have to be reinvested. If the yields then available are less than current embedded yields, the JUAs will not be able to reinvest the funds at rates sufficiently high enough to maintain the current embedded yield. If the

JUAs cannot maintain their current embedded yields, the discounted reserve will be understated.

- The JUA will be able to obtain full value for its bonds. For most JUAs, bond maturity is sooner than when liabilities are due. Over the next two or three years most JUAs should receive full value for their current bond holdings. If JUAs reinvest in securities that mature as liabilities fall due, they should receive the full value of their investments. If they reinvest at maturities beyond when liabilities are due, they may have to sell securities at less than their full value. The discounting assumes bond maturity will match when liabilities are due.

Understated discounted reserves will have a negative impact on results. If a JUA appears to have sufficient funds to pay claim liabilities, the funds may not be sufficient if discounted reserves are understated. If a JUA appears to have insufficient funds to pay claim liabilities, the deficiency will be larger if discounted reserves are understated.

The discounted reserve is compared to invested assets in order to determine if assets on hand are sufficient to meet future payments on current claims. Other assets exist, usually premium balances and accrued interest which, when received, would be available for investment purposes or the payment of claims. Invested assets are used because they represent funds the JUAs actually hold.

The remainder of the report contains three sections. Immediately following is the detailed analysis of each JUA. This section contains a separate analysis of each JUA. The next section contains exhibits displaying the 1990 data referred to in the first section. Each exhibit contains data for all JUAs in order to facilitate comparisons. The last section contains exhibits from the fifth study displaying 1989 data.

Florida Medical Malpractice JUA

History

The Florida JUA was activated July 1, 1975. Members include all liability insurers, medical malpractice insurers, and certain self-insurers. The JUA was established to provide coverage for all health care providers. Occurrence and claims-made "tail" coverages are offered. The JUA currently has 2.1% of the medical malpractice market share based on premiums (Exhibit 1). The market share is down from 5% because health care providers have found coverage in the private market as well as through self-insured trusts.

Funding and Deficit Provisions

Funds for the JUA come from 1) policyholder premiums, 2) policyholder assessments, and 3) member assessments. If a deficit occurs, policyholders could be assessed up to one-third of their annual premium. Based on 1990 premium this assessment would be $3.3 million. If this assessment is not sufficient to cover the deficit, insurer members are assessed based on their total premium volume in the state. There is no provision for the insurers to recoup their assessment.

Balance Sheet

As of year-end 1990, the Florida JUA balance sheet showed assets and liabilities of $81.2 million resulting in no surplus. (See Exhibit 2). These figures are up 3% from 1989. The Florida JUA accounting procedures are unique in that the unearned premium reserve includes not only the traditional unearned premium reserve but also any refund due the policyholders or any deficit accrued by the JUA. As a result, the JUA always has a surplus of zero. As of year-end 1990 the unearned premium reserve was $18.4 million. These accounting principles are approved by the insurance department.

Assets

Of the $81.2 million in assets, $79.8 million is invested. (See Exhibit 3). Of this amount, $74.2 million is invested in bonds while $3.6 million is in short term investments. The balance, $2.0 million, is held in cash. The bonds have an embedded (weighted average) yield of 8.5%, which is up from 8.3% in 1989. Most of the bonds, $40.5 million, are corporate bonds. The balance of $33.7 million is mostly governmental bonds with a small amount in utilities. Average bond maturity is 3.4 years. Premium balances of $1.5 million comprise the non-invested assets.

Cash Flow

In 1990, the Florida JUA had a $2.1 million positive cash flow (Exhibit 4) which was down from $10.4 million in 1989. The decrease is due to expenditures declining less than income declined. JUA income totaled $12.9 million ($23.5 million in 1989) with $6.9 million from premiums ($19.0 million in 1989) and $6.0 million from investment income ($4.5 million in 1989). Expenditures were $10.8 million ($13.1 million in 1989) of which $6.4 million went for claim payments ($7.6 million in 1989), $3.5 million went for loss adjustment expenses (same in 1989) and $1.0 million went for other expenses ($2.0 million in 1989).

Statutory Reserves

As of year-end 1990, the JUA reported loss and loss adjustment expense reserves

of $61.4 million (Exhibit 5), down 25% from 1989. Of this amount $45.3 million was for claim reserves, and $16.1 million was for loss adjustment expense reserves. Claim reserves are down 23%, while loss adjustment expenses are down 32%. The claim reserve is comprised of two segments – $25.0 million for pending claims (i.e., claims reported to the JUA that are not yet settled), $20.3 million is for IBNR claims (injuries that have occurred but which have not been reported to the JUA as of year-end 1990). The 1990 IBNR reserve is down 46% from 1989. The pending reserve is up 18% from 1989.

Reserve Development

In 1990, reserves for claims incurred prior to accident-year 1990 were decreased $26.9 million. (See Exhibit 7A). Most of the decrease, $18 million, was for the last three accident-years. The balance is spread among all prior accident years.

One possible reason for the decrease is that since 1987 actual loss and loss adjustment expenses paid have been less than expected. At year-end 1987, $48.7 million in loss and loss adjustment expenses were expected to be paid during the three year period 1988, 1989, and 1990 for claims which had occurred in 1987 and prior. During these three years, $24.8 million was actually paid or about half the expected. (See Exhibit 8).

Accident-year reserve developments in Florida have fluctuated considerably ranging from $25.4 million too high to $12.6 million too low. A developed accident-year reserve is the accident-year reserve that would have been established at the end of the accident-year if what is known now about actual payments and current reserve estimates had been known at the time the accident-year reserve was established. The developed accident-year reserve is the sum of the payments since the end of the accident-year for claims incurred in the accident-year plus the current reserve on claims incurred in the accident-year.

For the first year, 1976, the developed reserve is estimated to be $7.3 million. The developed accident-year reserve1 fell for the next two years to $6.2 million and then rapidly increased over the next four years to $17.0 million in 1982. Subsequently, the developed accident-year reserve fell to $8.0 million in 1985, increased in 1986 to $9.7 million, and more than doubled to $20.9 million in 1988. The 1989 developed accident-year reserve is estimated at $17.4 million. A detailed analysis of the number of claims, number of insureds, and the size of the claims for each of those years would be necessary in order to understand this substantial variation in the developed accident-year reserves.

Claim Payout

The time to pay half of the ultimate incurred losses (the total amount expected to be paid for any accident-year) in Florida remained unchanged in 1990 at 3.2 years. This is the shortest time to pay claims of any JUA offering occurrence policies. (See Exhibit 9).

Discounted Reserves

With $79.8 million in invested assets and $61.4 million in outstanding claims, it would appear that the JUA has sufficient funds to meet its obligations. Additional funds will also be available from the investment income to be earned on the invested assets.

Assuming (1) the current reserve estimate is adequate, (2) the estimated runoff pattern is reasonably accurate,

(3) investments will continue to earn their current rate, and (4) full value of the invested assets will be received if forced to sell before maturity, an estimate of how much has to be set aside today in order to meet those loss payments and loss adjustment expense payments can be made. The amount to set aside, or present value, is $49.5 million or $30.2 million less than the invested assets. (See Exhibit 10). This surplus is substantially higher than the $10.0 million surplus estimated last year.

Rate Filing

Up until 1986, the Florida JUA had always received requested rate changes. (See Exhibit 12A). For the years 1979 and 1980, physician and surgeon rates decreased. Rates increased annually from 10% for 1981 to 77.6% for 1984. For 1985, the filed and approved rate increase was 46.4%. For 1986, a 94% increase was requested and approved for dentists. For 1987, a 20% increase was requested but only 10% was approved. For 1988, a 21% increase was requested and approved. For 1989, a 7% rate reduction was requested and approved. No rate change was made for 1990.

The rate filing history for hospitals and other facilities is similar to that for physicians. Rates decreased between 1978 and 1980 and then increased substantially. For 1987, a 57% increase was requested, but only 14% was approved. For 1988, a 98% increase was requested and 66.7% was approved in June. An additional 22% increase was approved in December. For 1989, a 19% increase was requested and approved. For 1990, an 8% decrease was filed and approved.

Conclusion

The financial condition of the Florida JUA improved in 1990. Considering investment income, a $30.2 million surplus existed at year-end 1990. The surplus and the provision to assess policyholders provides a cushion of $33.5 million before insurers would be subject to assessment.

Kansas Medical Malpractice JUA

History

The Kansas JUA became operational July 1, 1976. Members include all liability insurers. The JUA was established to provide insurance to all health care providers in the state. The majority of coverage offered is claims-made. The JUA currently writes 8.3% of the medical malpractice market based on premium volume. (See Exhibit 1).

Funding and Deficit Provisions

Funding is from three sources: 1) policyholder premiums, 2) Health Care Stabilization Fund, and 3) members. If the JUA earns a profit, it is transferred to the Health Care Stabilization Fund. The Fund provides excess coverage, "tail" coverage, and stabilizes the JUA's financial operations. If a deficit occurs in the JUA, the Health Care Stabilization Fund, financed through surcharges on health care provider annual medical malpractice premiums, is responsible for the deficit. If the Fund cannot cover the deficit, the members can be assessed to cover the deficiency. When the Funds' monies are replenished, the insurers are reimbursed by the Fund. To date, the Fund has had sufficient funds to meet the JUA deficits. This study did not collect financial information on the Fund.

Balance Sheet

For the fiscal year ending June 30, 1990, the JUA reported assets of $5.2 million with an equal amount of liabilities. (See Exhibit 2). The JUA accounting practices report as an asset the money due from the Stabilization Fund in the case of a deficit. In the case of a surplus, the surplus is listed as a liability due the Stabilization Fund. As a result, the surplus is always zero. As of fiscal year-end 1990 the JUA owed the Stabilization Fund $25 thousand.

Assets

The JUA invests $4.9 million of the $5.2 million in assets. (See Exhibit 3). About $4.2 million is invested in short-term treasury notes with the balance of $0.7 million held in cash. The invested assets had a yield of 8.6%. The yield has been determined by dividing the investment income by invested assets because the JUA has no bond investments.

Cash Flow

Cash flow was a negative $1.6 million for the year ending June 30, 1990. (See Exhibit 4). Income from all sources amounted to $3.3 million with $2.5 million from premiums and $0.8 million from investment income. Expenditures amounted to $4.9 million of which $3.0 million went for paid claims, $0.9 million went for loss adjustment expenses, and $1.0 million went for operating expenses.

Statutory Reserves

The $4.1 million loss and loss adjustment expense reserve is comprised of $3.1 million for loss reserves and $1.0 million for loss adjustment expense reserves. (See Exhibit 5). The loss reserves, in turn, are comprised of $2.9 million for pending claims and $0.2 million for IBNR claims. The low IBNR value is due to the fact that the JUA writes mostly claims-made policies. The average reserve value is $28,000.

Pending Claims

Typically, under an occurrence policy, many medical malpractice claims are reported well after the time when the medical procedure responsible for the injury took place. Consequently, the number of pending claims for recent years is usually less than the number of pending claims for earlier years. The highest number of pending claims is usually for the year three or four years prior to the current year. The number of pending claims for even earlier years usually declines steadily.

This description of the usual pending claim pattern does not hold for the 102 claims in Kansas. The number of pending claims is highest in the most recent year, 1990. The number of pending claims rapidly declines for earlier years, which is typical of claims-made policies. (See Exhibit 6).

Reserve Development

For six of the last ten accident-years, reserves are now estimated to have been redundant. (See Exhibit 7B). For accident-years 1983, 1984, 1986, and 1988 the redundancy is estimated to range from $400 thousand to $900 thousand. For 1985 and 1987, the redundancy is estimated at $1.4 million. Reserve deficiencies of $200 thousand are estimated to exist for accident-years 1981 and 1982 and a $300 thousand deficit for 1989 accident-year. Despite the Kansas Supreme Court decision ruling medical malpractice tort reforms unconstitutional which could have an adverse impact on reserve developments, reserves for accident-years prior to 1989 were increased by only $200 thousand in 1990.

Claim Payout

Because mostly claims-made coverage is offered, the amount of time to pay half of the ultimate incurred losses is much shorter in Kansas than in other states, 1.4 years compared to as much as 8 years for occurrence coverage. (See Exhibit 9). Such a comparison, however, is somewhat misleading. With occurrence coverage, the time measured is from when the injury occurs while with claims-made coverage, the time is measured from when the injury is reported to the JUA.

Discounted Reserves

The discounted reserve calculated using the aforementioned runoff pattern and the invested asset yield of 8.6% is $3.1 million or $1.9 million less than the invested assets. (See Exhibit 10). This surplus is down from $5.6 million estimated last year.

Conclusion

As long as the Health Care Stabilization Fund continues to cover the JUA's deficit, the JUA should be able to meet its obligations.

Massachusetts Medical Malpractice JUA

History

The Massachusetts JUA became operational June 19, 1975. Membership includes all personal liability insurers, including motor vehicle insurers and multiple-peril writers licensed in Massachusetts. The JUA offers coverage to all physicians, hospitals, and other health care providers as authorized by the insurance commissioner. Both occurrence and claims-made coverage are offered with approximately two-thirds being occurrence and one-third being claims-made. The JUA wrote 86.5% of the medical malpractice coverage in the state in 1990 (Exhibit 1), down a percent from 1989. This JUA has the largest market share of any JUA.

Funding and Deficit Provisions

Funding is provided from policyholder premiums and member assessments. If a deficit occurs in the JUA, a pro-rata assessment based on total member premiums, up to a maximum of 1% of the insurer's surplus, can be assessed. A recoupment provision provides that insureds covered by any medical malpractice liability policy issued in the state can be assessed or can have their premiums increased prospectively in order to reimburse insurers for their JUA assessment.

Balance Sheet

As of year-end 1990, the Massachusetts JUA reported assets of $829 million and liabilities of $1.150 billion, resulting in a deficit of $321 million. (See Exhibit 2). Assets increased 21% from 1989 while liabilities were essentially unchanged. The deficit decreased $144 million during 1990.

Assets

Of the $828.5 million in assets, $757.3 million is invested. (See Exhibit 3). Almost $720.1 million is invested in bonds, $36.7 million is invested in short-term securities, and $0.4 million is held in cash. Almost 80% of the bonds are government bonds, and over 90% of all non-government bonds are rated AA or better. Non-invested assets amount to $71.1 million of which $57.0 million is in premium balances and $14.1 due mostly from interest income accrued. The large amount in premium balances is due to installment premiums. Bond maturity averages 10.4 years. The embedded yield is 9.0%.

Cash Flow

Cash flow (Exhibit 4) increased from $110.8 million in 1989 to $125.8 million in 1990. Total income in 1990 was up $4 million from 1989 at $234.5 million. Premium income was down slightly from $179.6 million in 1989 to $174.6 million in 1990. Income from investments was up $8.3 million from $48.6 million in 1989 to $56.9 million in 1990. Expenditures were down $11.5 million in 1990 compared to 1989. In 1990, expenditures amounted to $108.7 million of which $67.9 million went for claim payments, $22.4 million went for loss adjustment expenses, and $18.4 million went for operating expenses. Corresponding 1988 figures were, claim payments $78.6 million, loss adjustment expense $19.1 million, operating expense $22.5 million. The 1990 operating expenses include $3.1 million in federal income taxes paid in 1990 compared to

$6.8 million paid in 1989 and accounts for most of the decrease in operating expenses between 1989 and 1990. The income tax liability was due to the large operating profit reported in 1989 due to claim reserves being substantially reduced. For 1990, the cash flow does not take into consideration $1.1 million in net realized capital losses. The Massachusetts JUA was the only JUA, except for New York, to have realized capital gains of more than a few hundred thousand dollars. Realized capital gains are not reflected in this cash flow analysis because they are one-time occurrences and cannot be relied upon from year to year. For instance, net realized capital gains were $18.7 million in 1986, $3.0 million in 1987, negative $1.3 million in 1988, and $1.2 million in 1989.

Statutory Reserves

The JUA reports $1.0 billion in loss and loss adjustment expense reserves as of year-end 1990. (See Exhibit 5). Of this amount, $837.9 million is for loss reserves, and $199.3 million is for loss adjustment expense reserves. Loss reserves are up 11% from 1989, while loss adjustment expense reserves are down 33%. The loss reserves are comprised of $330.8 million for pending claims and $507.0 million for IBNR claims. The reserve for pending claims is down 7% while the reserve for IBNR claims is up 27%. The average pending claim value is $95,300.

Pending Claims

The Massachusetts JUA has the largest number of pending claims, 3,470. Because the JUA sells claims-made coverage as well as occurrence coverage, many claims are from recent accident years. The JUA still has 125 claims covered by occurrence policies issued prior to 1981. (See Exhibit 6).

Reserve Development

During 1990 the JUA reduced its reserve estimates for years 1989 and prior by $140 million. (See Exhibit 7C). With this reduction, the indications are that the original estimates made during the 1980's were larger than what is now estimated. An analysis by the JUA indicates that after 1985 claim frequency has steadily and dramatically decreased. This analysis is the basis for the reserve reductions taken in the last two years. While the current estimates are lower, the JUA still has, on a statutory basis, a deficit of over $300 million dollars.

Discounted Reserves

The $321.2 million statutory deficit does not take into consideration investment income that will be earned on currently invested assets. Assuming (1) the current reserve estimates are adequate, (2) the estimated runoff pattern is reasonably accurate, (3) the invested assets will continue to earn at their current embedded yield, and (4) asset maturity will match liabilities, the amount of money needed at year-end 1990 to meet future claim payments is $710.7 million. (See Exhibit 10). This is $75.6 million less than currently invested assets. This apparent cushion is very small. A change in the assumptions resulting in an increase in discounted reserves of 11% would eliminate the cushion.

Rate Filings

Prior to 1983, the JUA received 3 rate increases, 7.3% for 1977, 10% for 1980, and 9.1% for 1982. (See Exhibit 12B). For 1983, the JUA requested a 162% increase

and received approval for 42%, which was appealed. Subsequently, the JUA refiled for a 188% increase for 1983 and also filed for a 41.6% increase for 1984. In June 1986, the JUA received approval for a 68.1% increase for 1983 and 10.9% for 1984. These increases are to be collected over a 5 year period which began in July 1987. The JUA filed for a 71.6% increase for 1985 and received approval for 23.6% in March 1987, also to be collected over the five year period. For 1986, the JUA requested a 10.3% increase and received approval for 8.7% in March 1987. Also in March 1987, the JUA received a 6.5% rate increase for 1987 rates after requesting 10.0%. For 1988, the requested 8.6% rate increase was negotiated to no change in rates. For 1989, the JUA requested a 44% increase and received approval for 8.6%. For 1990, no rate change was requested.

Conclusion

Considering future investment income and as a result of lower claim reserves, the Massachusetts JUA has a surplus of $75.6 million. Substantial reductions in claim reserves have resulted in lowering the JUA's liabilities to the point where a small cushion of protection appears to exist.

The margin, however, is only 11% of the discounted claim reserves. Even a small change in the assumptions underlying the reserves or the discounting could eliminate the margin.

Minnesota Medical Malpractice JUA

The Minnesota JUA did not report data for 1990. Below is the report for 1989.

History

The Minnesota JUA was authorized in 1976 but was not activated until late in 1985. Members include all insurers authorized to write personal injury liability insurance in Minnesota. The JUA was established to provide medical malpractice coverage for all health care providers. While the JUA initially issued a few occurrence policies, only claims-made policies are currently issued. In 1989, the JUA wrote less than 1% of the medical malpractice insurance in the state based on premiums. (See Exhibit 1).

Funding and Deficit Provisions

Funds for the JUA come from (1) policyholder premiums, (2) the Stabilization Reserve Fund, and (3) member assessments. Funding for the Stabilization Reserve Fund comes from a surcharge on policyholder premiums. If the JUA has a deficit, the Stabilization Reserve Fund is to provide funds to cover it. If those funds are insufficient, members of the JUA can be assessed. Insurers may recoup any assessment by means of either a 2% surcharge on the annual premiums on future policies offering the kinds of coverage which provide the basis for the members' participation in the association, or through a premium tax offset.

Balance Sheet

At year-end 1989, the Minnesota JUA reports assets of $1.2 million and liabilities of $1.0 million for a surplus of $0.2 million. (See Exhibit 2). The Minnesota JUA is the smallest of all the currently active JUAs.

Assets

Almost all of the assets are invested. (See Exhibit 3). The JUA has not invested in any securities, rather $800,000 is held in cash. The remaining $400,000 in assets is from the Stabilization Reserve Fund.

Cash Flow

Cash flow in 1989 was a positive $225,000. (See Exhibit 4). Premium amounted to $288,000, investment income $48,000. Expenditures were $111,000 of which $72,000 went for operating expenses, $14,000 for claims, and $25,000 for loss adjustment expenses.

Statutory Reserves

Loss and loss adjustment expense reserves amount to $465,000. (See Exhibit 5). Loss adjustment expense reserves are included with the loss reserves and, therefore, no breakout of this component is available. Pending reserves amount to $42,000 while the IBNR reserve is $423,000.

Pending Claims

At year-end 1989, the Minnesota JUA hand three pending claims. (See Exhibit 6). Two date from 1987 and one from 1988. The average value for these claims is $14,000.

Reserve Development

No reserve development is possible since the JUA has had so few claims and payments.

Rate Filings

Initial rates for the JUA were set slightly higher than those in the private market.

Conclusions

The Minnesota JUA has not been in existence long enough nor is it large enough to determine its financial condition. If just one of the pending claims settles for more than $1.0 million, however, the JUA will not have the funds to pay it. The JUA appears to be operating as a residual market given the low market share.

New Hampshire Medical Malpractice JUA

History

The New Hampshire Medical Malpractice JUA began operating October 1, 1975. Members include all liability insurers in New Hampshire. The JUA was established to provide liability coverage for physicians, hospitals, and other health care providers. Occurrence policies have been offered since the beginning and claims-made since 1986. In 1990, the JUA wrote an estimated 64.0% of the medical malpractice market based on premium volume. (See Exhibit 1). The market share is up slightly from 1989. The JUA underwrites almost all the medical doctors but few hospitals and other health care providers.

Funding and Deficit Provisions

Funding is provided from (1) policyholder premiums, (2) member assessments, (3) policyholder surcharges, and (4) a Stabilization Reserve Fund.

Legislation, effective in 1986, altered the funding mechanism for covering JUA deficits. The legislation established two funding mechanisms, one for deficits from business written after January 1, 1986, and another for deficits on business written prior to January 1, 1986.

For deficits on business written after January 1, 1986, members will be assessed based on the percentage of premium they write in the state. The companies, however, may be reimbursed under one of two plans approved by the commissioner. One plan allows insurers to surcharge all health care providers up to a maximum of 100% of their premium for each policy year. In the event the assessment is greater than $10,000, the payment may be applied over a period of up to three years. The second option would allow insurers to surcharge future liability insurance policies which form the basis of the member's participation in the JUA provided that the surcharge does not exceed 3% of the premium per year.

A Stabilization Reserve Fund is created for deficits prior to January 1, 1986. Initial funding for the Stabilization Reserve Fund comes from a surcharge of 15% on the annual gross premium charged for primary medical liability coverage. If the Stabilization Reserve Fund reserve is not sufficient to cover the deficit, the commissioner shall impose a surcharge not to exceed 2% of the annual premium on policies issued or delivered in the state for the lines of business which form the basis for the insurer's participation in the JUA.

Balance Sheet

As of year-end 1990, the JUA reported assets of $93.2 million, liabilities of $141.1 million with a resulting deficit of $47.9 million. (See Exhibit 2). Assets are up 32% from 1989. Liabilities are up 30% compared to 1989 resulting in the deficit increasing $10.6 million from 1989 to $47.9 million.

Assets

Of the $93.2 million in assets, the JUA invested $88.0 million. (See Exhibit 3). The investments include $74.4 million in bonds. Forty million of the bonds are government bonds and the other bonds are rated A or better. Over $10.4 million is held in short term investments. The remaining $3.7 million is held in cash. Of the $5.1 million not invested, $1.6 million is in premium balances and $3.5 million in other non-invested assets mainly accrued interest and monies due from the

Stabilization Reserve Fund. The embedded yield on invested assets is 7.7%. The average maturity for bonds is 6.3 years.

Cash Flow

In 1990, the cash flow was a positive $14.1 million (Exhibit 4) down slightly from $14.9 million in 1989. Total income amounted to $24.1 million with $17.3 million from premiums and $6.8 million from investment income. Total expenditures were $10.0 million of which $6.0 million went for claim payments, $2.5 million went for loss adjustment expense payments, and $1.5 million went for operating expenses.

Statutory Reserves

Of the $141.1 million in liabilities, $127.3 million is for loss and loss adjustment expense reserves. (See Exhibit 5). Loss reserves amounted to $95.9 million while loss adjustment expense reserves amounted to $31.4 million. Loss reserves are up 35% from 1989 while loss adjustment expense reserves are up 31% from 1989. The loss reserves are comprised of $23.8 million for pending claims and $72.1 million for IBNR claims. For the 405 pending claims the average value is $58,700.

Pending Claims

At year-end 1990, the New Hampshire JUA had 405 pending claims (Exhibit 6) up 32% from 306 pending at year-end 1989. The largest number of claims pending, 100, are pending from 1987 and reflect the 1986 introduction of claims-made policies.

Reserve Developments

The JUA changed its procedures for analyzing experience to a policy-year basis from an accident-year basis. This change does not allow for accident-year reserve developments.

Claim Payout

The amount of time to pay one-half the ultimate incurred losses is 5.9. (See Exhibit 9). In 1990, the JUA revised its estimate of when claims can be expected to be paid. This change is responsible for the increase from 5.5 years estimated in 1989 to 5.9 years.

Discounted Reserves

The $47.9 million statutory deficit does not take into consideration investment income to be earned in the future on existing assets. Assuming (1) current reserves are adequate, (2) the estimated runoff pattern is reasonably accurate, (3) current invested assets will continue to earn at their current rate, and (4) full value will be received for invested assets if they are sold, $94.9 million would be needed in order to make those payments. (See Exhibit 10). With $96.7 million in available funds including the Stabilization Reserve Fund monies, the JUA appears to barely have sufficient funds to meet those payments. This cushion is down from $12.7 million in 1989.

Rate Filings

Since inception, the JUA has filed for several rate increases and has received timely approval in every case except for 1986. (See Exhibit 12C). Rates have grown substantially for all insureds since 1980. For physicians and surgeons, rates increased 45% for 1980, 50% for 1981, 70% for 1982, 30% for 1983, with a more moderate increase for 1984. For 1986, the JUA filed a 9.3% increase, but the request was refused. For 1987, 12.2% was filed and approved. For 1988, 8.9% was filed

and approved. For 1989, no rate filing was made. For 1990, a 17% increase was filed and 9.7% was approved for Classes I & II, while 14.8% was approved for all other classes.

Conclusions

With partial success in recent actions taken to address deficit problems and considering future investment income, the JUA has sufficient funds to meet its obligations. If the JUA is ultimately successful in its efforts to reduce the deficit on policies written prior to 1986 through assessments, insurers may not be responsible for that deficit.

New York Medical Malpractice JUA

History

The New York Medical Malpractice JUA was activated June 18, 1975. Members include all insurers writing personal liability and multi-peril policies. The JUA offers occurrence coverage and since 1986 claims-made coverage to physicians and hospitals. The JUA provides both basic limits and excess limits. The JUA estimates basic limits premiums account for about 10% of all premiums written by the JUA and excess limits premiums account for 90%. The JUA wrote 15.5% of the medical malpractice premiums in the state in 1990 (Exhibit 1), which is down from the 18.7% share in 1989. The decline is due to a portion of the excess coverage being written in a new private program.

Funding and Deficit Provisions

Three sources provide funds: (1) policyholder premiums, (2) Stabilization Reserve Fund, and (3) member assessments. The Stabilization Reserve Fund is financed by a 20% surcharge on the insured's medical malpractice premiums for primary coverage. If the JUA sustains a deficit, the Stabilization Reserve Fund is to cover the deficit. If a deficit exists after consideration of the Stabilization Reserve Fund contribution, JUA members can be assessed in proportion to their premiums. The assessment can be subsequently recouped from the Stabilization Reserve Fund if those funds are replenished. At year-end 1990, the Stabilization Reserve Fund had a balance of $16.9 million.

Balance Sheet

As of year-end 1990, the New York JUA balance sheet shows assets, including Stabilization Reserve Fund assets, of $1.041 billion and liabilities of $1.698 billion for a deficit of $0.657 billion. (See Exhibit 2). The deficit increased $175 million because assets increased only $75 million, while liabilities increased $250 million.

Assets

Of the total assets, $1.018 billion is invested. (See Exhibit 3). Bonds constitute the largest investment, $1.003 billion. Over 80% of the bonds are government bonds, and over 90% of all bonds are rated A or better. The embedded yield increased from 8.8% in 1989 to 9.0% in 1990. The average term to maturity of all bonds is 18.3 years. Short-term investments amounting to $15.2 million make up the balance of the invested assets. Non-invested assets amount to $22.9 million. Premium balances amount to $4.4 million which is substantially less than the $136.7 million outstanding at year-end 1989. Of the remaining non-invested assets, most are in interest income due and accrued.

Cash Flow

Cash flow in 1990 was a positive $214.6 million (Exhibit 4), down $5.4 million from 1989. Premium income was down $26.5 million from $203.6 million in 1989 due to the loss of some excess business to the private market. Investment income was up $21.4 million from $53.6 million in 1989 to $75.0 million in 1990. Other income was a negative $7.8 million.

The total cash income, excluding capital gains of a negative $12 million was $244.3 million. Expenditures amounted to $29.8 million, down from $40.1 million in 1989. Paid claims amounted to

$14.5 million, down from $16.9 million in 1989, with loss adjustment expenses of $11.1 million, up from $9.4 million in 1989. Other expenses were down from $13.8 million in 1989 to $4.1 million in 1990. The 1989 other expense figure includes $7.9 million paid in federal income taxes due to operating profits generated when loss reserves were reduced in 1989 compared to $1.7 million paid in federal income taxes in 1990.

Statutory Reserves

As of year-end 1990, the JUA reported loss and loss adjustment expense reserves of $1.6 billion (Exhibit 5), a 23% increase from 1989. Of this amount, $1.3 billion is for loss reserves (up 18% from 1989), and $326.3 million is for loss adjustment expenses (up 20% from 1988). The loss reserve is comprised of $211.3 million for pending claims, which is up 26.5% from year-end 1989. The IBNR reserve increased from $895 million to $1.1 billion.

Pending Claims

The 2,043 pending claims are down from the 2,149 at year-end 1989. The average reserve value of $103,400 is up from the $77,700 at year-end 1989. Almost half of the pending claims are for losses which occurred in 1986 and prior. (See Exhibit 6). The large number of pending claims for the earlier years is indicative of the long time to settle cases in New York.

Reserve Development

In contrast to last year when the loss reserves for accident-years 1988 and prior were reduced $608.7 million, only minor changes in prior accident-year reserves were made in 1990. (See Exhibit 7D). Net adjustments amounted to only $12 million on a reserve basis of over $1 billion. In the first half year of operation in 1975, the original reserve was estimated to be $8.1 million, and today it appears that it should have been set at $23.3 million. The 1976 accident-year reserve was originally estimated at $44.0 million but now it is estimated it should have been set at $64.1 million. Between 1977 and 1981 the original accident-year reserves ranged from a low of $13.6 million in 1977 to a high of $49.1 million in 1981. It now appears as if all of those reserves should have been set somewhere between $38 million and $48 million. For the more recent accident-years, reserves are now estimated to have been more than adequate. The reserve pattern for 1983, 1984, and 1985 is unusual, in that on a developed basis, they are $32.1, $18.9, and $69.7 million, respectively. The large increase in the 1985 accident-year reserve is due to the addition of excess liability coverage. The excess liability coverage also explains the larger reserves for 1986, 1987, 1988, and 1989.

One reason for the 1989 reserve reduction was that claim frequency declined dramatically between 1985 and 1988 resulting in actual total claim payments being less than expected. At year-end 1987, for example, the JUA expected to pay $167.8 million during 1988, 1989, and 1990 for claims that had occurred in 1987 and prior years. (See Exhibit 8). During these three years, only $76.3 million was paid or 45.4% of the expected.

Claim Payout

New York medical malpractice claims continue to have the longest anticipated runoff period. (See Exhibit 9). In 1990, the amount of time estimated to pay one-half the claim payments is 8.3 years. By comparison, after eight years over 90% of the claim payments are expected to have

been made in Florida and South Carolina and 85% in Texas.

Discounted Reserves

The $656.9 million deficit does not take into consideration the investment income that will be earned on currently invested assets. The long time it takes for New York claims to runoff provides a considerable length of time during which to earn investment income. Assuming (1) the current reserve estimates are adequate, (2) the estimated runoff pattern is reasonably accurate, (3) the invested assets will continue to earn at their current embedded yield, and (4) asset maturity will match liabilities, the present value of those future payments is $910.2 million. (See Exhibit 10). This is $108.1 million less than the invested assets of $1.018 billion. The New York JUA appears to have sufficient assets along with future investment income to meet its liabilities. This margin, however, is less than last year's margin of $117 million. The margin would be eliminated if any of the assumptions prove erroneous and result in claim reserves increasing by 12% or more.

Rate Filings

The New York JUA has had an extremely difficult time receiving approval for requested rate increases. (See Exhibit 12D). For 1986, a 135% rate increase was requested, and a 9% rate increase approved. The JUA brought suit against the New York Insurance Department challenging the level of the rate increase approved. The court ruled against the Department saying the JUA was entitled to an actuarially sound rate. While the Department was analyzing the claim experience to determine an actuarially sound rate, the claim frequency change and improved reserve development was noted. The Department and JUA agreed to a 9% increase for 1986 and 1987. With continued favorable reserve development, the Department approved a 5% increase for 1988 instead of the 77% requested by the JUA. Despite the improvement, the JUA believed a 10% rate increase was warranted in 1989, but the Department rejected the increase. For 1990, a 20% increase was requested, but the Department reduced the rate 5%.

Difficulties obtaining adequate rates began in the late 70's. No requested rate increase has ever been approved. During the period 1977 to 1985, the JUA has requested a rate increase for each year. For 1977, a 90% rate increase was requested, and a 15.5% rate increase was approved. Rate increases for 1978 through 1980 of 98%, 104%, and 186%, respectively, were all disapproved. For 1981, a 210% rate increase was requested, and a 58.5% rate increase was approved. For 1982, a 243% rate increase was requested, and a 15% rate increase was granted. For 1983, a 180% rate increase was requested, and a 83.3% increase was approved but not until January of 1985. For 1984, a 62% rate increase was requested, and a 52.3% increase was approved in January 1985. Action on the 1985 rate increase of 128% was not finalized until July 1986 when a 14% rate increase was approved.

Conclusion

For the New York JUA, current invested assets appear to be sufficient to meet its obligations. The result is in sharp contrast to prior years when assets were thought to be hundreds of millions of dollars short of meeting its obligations. The turn around is due to substantially lower reserve estimates. Should these latest estimates prove to be inadequate by 12% or more, discounted reserves would exceed invested assets.

Pennsylvania Medical Malpractice JUA

History

The Pennsylvania JUA became operational January 13, 1976. Members include all casualty insurers. The JUA offers only occurrence coverage to health care providers as defined in the statutes. The Pennsylvania JUA market share is 1.8% based on premium volume (Exhibit 1), down from 2.1% in 1989.

Funding and Deficit Provisions

Funding for the JUA comes from two sources, policyholder premiums and a catastrophe fund. The catastrophe fund is financed through premium surcharges on all health care providers. If the JUA incurs a deficit, the catastrophe fund or a rate increase is intended to cover the deficit. If the catastrophe fund is unable to cover a JUA deficit, a premium surcharge is to be applied to all health care providers.

Balance Sheet

At year-end 1990, the Pennsylvania JUA reports assets of $59.6 million and liabilities of $48.3 million for a surplus of $11.3 million. (See Exhibit 2). Assets are down $2.5 million from 1989 while liabilities are down $6.2 million thus increasing the 1989 surplus by $3.7 million.

Assets

Of the $59.6 million in assets, $58.4 million is invested. (See Exhibit 3). Bond holdings total $56.6 million with an average term of 7.9 years. Short-term investments total $1.0 million. The balance, $0.8 million, is held in cash. Of the $1.2 million not invested, $1.1 million is in interest income due and accrued. The average yield on invested assets is 7.9%.

Cash Flow

Cash flow for the JUA was a negative $2.7 million in 1990 (Exhibit 4) compared to a negative $1.3 million in 1989. The $9.0 million in income came from $4.4 million in premiums ($5.3 million in 1989) and $4.6 million in investment income ($4.8 million in 1989). Expenditures of $11.7 million ($11.4 million in 1989) included $7.7 million for claim payments, $3.5 million for loss adjustment expenses, and $0.5 million for operating expenses. Corresponding expenditures for 1989 were $6.8 million for claims, $3.4 million for loss adjustment expenses, and $1.1 million for operating expenses.

Statutory Reserves

Loss and loss adjustment expense reserves declined from $52.8 million at year-end 1989 to $46.6 million at year-end 1990. (See Exhibit 5). Loss reserves decreased 11% to $32.0 million while loss adjustment expense reserves decreased 14% to $14.6 million. The loss reserves are comprised of $13.8 million for pending claims, down $4.4 million from 1989, and $18.3 million for IBNR, up $0.7 million from 1989. The pending claims had an average value of $27,200, down from $32,800 in 1989.

Pending Claims

The number of pending claims at year-end 1990 was down 9% from year-end 1989. Pending claims distribution by accident-year is typical of occurrence coverage with more than half of the 507 claims pending from 1986 and earlier years. (See Exhibit 6).

Discounted Reserves

Unique among JUAs, the Pennsylvania JUA discounts loss reserves. As of year-end 1990, the reserves were discounted at an interest rate of 6%. This would seem to be a conservative interest rate given the 7.9% yield on the $58.4 million in invested assets.

Conclusion

The Pennsylvania JUA has sufficient assets to meet its obligations based on conservatively discounted reserves. The present JUA funding mechanism does not include assessing insurers.

Rhode Island Medical Malpractice JUA

History

The Rhode Island Medical Malpractice JUA was activated July 1, 1975. Members include all personal injury liability insurers including those insurers providing multi-peril policies. The JUA was established to provide insurance to physicians, hospitals, and other health care providers. Both occurrence and claims-made coverage are offered. In 1990, the JUA's market share was 80.7% based on premiums, the second largest market share of any medical malpractice JUA. (See Exhibit 1).

Funding and Deficit Provisions

Funding for the JUA is from (1) policyholder premium, (2) Stabilization Reserve Fund, and (3) member assessments. The Stabilization Reserve Fund is financed by policyholder contributions determined by the director. If the JUA has a deficit, the Stabilization Reserve Fund is to provide funds to cover it. At year-end 1990, the Stabilization Reserve Fund amounted to $6.9 million. If a deficit exists after the Stabilization Reserve Fund contribution, insurers can be assessed. Individual insurer assessments will be based on the percentage of direct premiums for several lines of business as they relate to the aggregate writings in Rhode Island for all members writing those lines of business. Insurers may recoup the assessment by means of a surcharge, not to exceed 1%, on the annual premiums of future personal injury policies. Insurers may also recoup assessments through a premium tax offset.

Balance Sheet

As of year-end 1990, the Rhode Island Medical Malpractice JUA annual statement balance sheet reports assets of $149.7 million and liabilities of $265.2 million for a deficit of $115.5 million. (See Exhibit 2). Assets increased $14.5 million while liabilities decreased $20.0 million, resulting in a $34.5 million decrease in the deficit.

Assets

Invested assets amount to $141.2 million of which $124.5 million is in bonds. (See Exhibit 3). All but $17.2 million of the bonds are in government securities. The bonds have an average term of 9.9 years. The embedded yield on invested assets is 9.1%. Other invested assets include $11.1 million in short term securities and $12.9 million in other unspecified assets. A negative cash balance of $7.3 million was reported at year-end 1990. Of the $8.5 million in non-invested assets, $5.5 is premium balances and $3.0 million is due from interest and dividends.

Cash Flow

Cash flow was a positive $15.6 million in 1990. (See Exhibit 4). Premium is down 14% from $31.9 million in 1989 to $27.4 million in 1990. Investment income is up $1.7 million to $11.7. Total cash income is down $2.7 million. Paid claims are up from $13.9 million in 1989 to $16.5 million in 1990. Loss adjustment expense is up from $4.0 million to $5.0 million. Operating expenses in 1990 are up $0.2 million to $2.2 million.

Statutory Reserves

As of year-end 1990, the JUA reports loss and loss adjustment expense reserves of $244.8 million (Exhibit 5), down $16.7 million from 1989. Loss reserves are

down $20.3 million to $206.6 while loss adjustment expense reserves are up $4.3 million to $38.3. The loss reserve decrease is due to pending reserves decreasing $6.1 million to $39.8 million while IBNR decreased $14.6 million to $166.8 million.

Reserve Development

In 1990, the ultimate expected incurred losses for accident-years 1980 through 1989 were reduced $44.3 million or almost 17% from year-end 1989. (See Exhibit 7E). The originally established reserves for accident-years since 1983 are now thought to have been more than adequate. For accident-years 1980 through 1982, however, the originally established reserves are still thought to have been understated.

One possible reason for the reserve reduction is that for the last three years actual claim payments have been less than expected. (See Exhibit 8). At year-end 1987, the JUA expected to pay a total of $78.7 million during the three year period 1988, 1989, and 1990 for claims that occurred in 1987 and prior. During the three year period, however, only $49.8 million was paid, or about two-thirds of expected.

Claim Payout

Rhode Island has the second longest estimated time to pay one-half of the incurred claims, 6.1 years (Exhibit 9). The JUA expects it to take 15 years to pay all the claims from one accident year.

Discounted Reserves

The $115.5 million deficit does not reflect the $6.9 million in the Stabilization Reserve Fund nor the interest to be earned on currently invested assets. Assuming (1) the current reserve estimates are adequate, (2) the estimated runoff pattern is reasonably accurate, (3) current invested assets will continue to earn their embedded yield, and (4) the full value of the assets will be realized if they are sold before maturity, the JUA needs at least $164.4 million to meet those payments or $23.2 million more than it has in invested assets, including the funds in the Stabilization Reserve Fund. (See Exhibit 10). If future premiums are not used to meet those payments, the current invested assets could be depleted sometime in 1999 leaving $41.2 million to be paid. (See Exhibit 11). As long as cash flow remains positive, however, the JUA will be able to meet its obligations.

Rate Filings

Historically, the JUA has had difficulty in obtaining rate increases. (See Exhibit 12E). For 1978, a 34.1% rate increase was requested, but no hearing was held, and the rate increase was not approved. The only year for which the requested rate increase was approved was 1979. For 1980, a 25.3% rate increase was requested but later withdrawn. For each of the subsequent years, rate increases were requested and the JUA usually received one-half or less of the amount requested. For 1986, a 91.4% increase was requested but only a 36.1% increase was approved but not until July 1, 1987. On the same date, a 5.6% increase was approved for 1987 basic limits coverage although 78% was requested. For 1988, a 55.3% increase was requested but only 19.9% was granted. For 1989 and 1990 no rate filing was made.

Conclusion

The Rhode Island JUA deficit is almost equal to current annual premiums even when consideration is given to future investment income. The Stabilization Reserve Fund will be able to supply only $6.9 million to offset the JUA's deficit. One positive note is that recent actual payments have been less than expected. If this trend continues, the deficit may continue to decline as happened in 1989 and 1990.

South Carolina Medical Malpractice JUA

History

The South Carolina Medical Malpractice JUA became operational June 30, 1975. Members include all insurers writing bodily injury liability insurance including multi-peril policies but excluding automobile liability insurers. The JUA provides occurrence coverage for physicians, hospitals, and other health care providers. The JUA market share was 52.7% in 1990. (See Exhibit 1). The market share is down from 58.9% in 1989.

Funding and Deficit Provisions

Funding is provided from (1) policyholder premiums and fees, (2) policyholder assessments, and (3) member assessments. If a deficit occurs, JUA policyholders can be assessed up to one annual premium or the deficit may be funded through prospective rate increases. If these measures do not raise sufficient funds, member insurers are responsible for the remaining deficit.

Balance Sheet

As of year-end 1990, the South Carolina JUA reports assets of $47.7 million and liabilities of $53.2 million for a deficit of $5.5 million. (See Exhibit 2). Assets are up 11% from $42.8 million while liabilities are up 9% from 1989 resulting in the deficit decreasing 11% from $6.2 million.

Assets

Invested assets amount to $46.8 million with $45.3 million invested in government bonds. (See Exhibit 3). At year-end 1990, the bonds had an embedded yield of 8.1% unchanged from a year earlier. Average bond maturity is 2.5 years. The remaining invested assets, $1.5 million, were in short-term investments.

Cash Flow

The JUA had a $4.8 million positive cash flow in 1990. (See Exhibit 4). Total income was $15.5 million, down $0.3 million from 1989. Premiums accounted for $11.9 million, down 8% from 1989. Investment income was up from $2.8 million to $3.6 million. Expenditures included $4.9 million for paid claims ($2.6 million in 1989), $3.9 million for loss adjustment expenses, ($3.3 million in 1989), and $1.9 million for operating expenses ($1.7 million in 1989).

Statutory Reserves

For year-end 1990, the JUA reports loss and loss adjustment expense reserves of $46.3 million up from $41.2 million in 1989. (See Exhibit 5). Of this amount, $27.7 million is for loss reserves and $18.6 million for loss adjustment expenses. Loss reserves are up 9% while loss adjustment expense reserves are up 18%. The loss reserves are comprised of $6.1 million for pending claims and $21.6 million for IBNR. The average pending claim value is $10,100, the lowest of all JUAs.

Pending Claims

The 607 pending claims are down 15% from 1989. (See Exhibit 6). The pending claim distribution is typical of occurrence coverage with about half the claims from 1987 and prior.

Reserve Development

The JUA provided their actuary's reserve developments that allows a look at the most recent estimate of the accident-year 1990 reserve as well as all other accident-years. (See Exhibit 7F). In 1990 reserves were reduced by $4.7 million for accident years 1986 to 1989. Up until 1984, the initial accident-year reserves have been found to have been inadequate except for 1977 and 1979. For years since 1984, the original reserves appear to have been more than adequate.

The reserve reductions may be a reflection of the fact that actual claim payments have been somewhat less than expected. (See Exhibit 8). At year-end 1987, the JUA expected to pay out $22.7 million in the subsequent three years. During those three years, $19.5 million was actually paid or 14% less than expected.

Claim Payout

The South Carolina JUA has the second shortest anticipated runoff period for occurrence policies. The JUA expects half of the incurred claims to be paid within 3.3 years. (See Exhibit 9).

Discounted Reserves

The $5.5 million deficit does not include the investment income to be earned on the currently invested assets. Assuming (1) the current reserve estimates are adequate, (2) the estimated runoff pattern is reasonably accurate, (3) current invested assets will continue to earn their embedded yield, and (4) the full value of the assets will be realized if they are sold before maturity, the amount of money needed to meet future payments is $37.6 million. (See Exhibit 10). Considering investment income, therefore, invested assets are $9.2 million more than the discounted reserves. This margin is 18% higher than in 1989.

Rate Filings

The South Carolina JUA has always received requested rate increases. (See Exhibit 12F). Rate increases for physicians amounted to 50% for 1977, 40% for 1981, and 25% for 1983, 1985, and 1986. Hospital increases amounted to 133% for 1978, 20% for 1983, 40% for 1985, and 45% for 1986. Between 1987 and 1989, no rate filings were made after reviewing the experience. In 1990, a 20% reduction was approved for physicians and dentists and a 10% reduction for hospitals.

Conclusion

The JUA's current assets plus future investment income on those assets appear to be sufficient to cover current liabilities. Over the last four years the JUA has moved from a deficit position to a surplus position considering investment income.

Texas Medical Malpractice JUA

History

The Texas Medical Malpractice JUA began operations September 8, 1975. Membership includes all liability insurers except farm and county mutuals. The JUA is authorized to offer primary occurrence coverage to any health care provider or physician included in one of the categories eligible for coverage as determined by the State Board. Excess coverage is offered on a following form basis to either occurrence or claims-made primary coverage. In 1990, the JUA covered physicians, surgeons, dentists, hospitals, podiatrists, nurses, and nurse midwives, and wrote 5.8% of all medical malpractice insurance in the state. (See Exhibit 1). The market share is down from the 8.0% in 1989.

Funding and Deficit Provisions

Funding for the JUA comes from (1) policyholder premiums, (2) Stabilization Reserve Fund, (3) policyholder assessments, and (4) member assessments. Funding for the Stabilization Reserve Fund comes from a surcharge on JUA policyholder premiums. If a deficit occurs in the JUA, an assessment against JUA policyholders insured anytime in the last two years can be made and is limited to 100% of the current annual premium. If the policyholder assessment does not raise sufficient funds to cover the JUA deficit, assessments can also be levied against insurers based on their premium writings with a maximum assessment of 1% of surplus. This is the only JUA to have assessed insurers. Policyholders and insurer assessments were made for calendar years 1984, 1985, and 1986. No assessments against insurers have been necessary since 1986.

Balance Sheet

As of year-end 1990, the Texas JUA balance sheet showed assets of $130.6 million, down from $141.8 million in 1989, and liabilities of $130.6 million for a zero surplus. (See Exhibit 2). The JUA changed its accounting procedures in 1987 to record as a receivable any deficit incurred during the year. As noted above, the JUA assesses and collects funds whenever it has a deficit.

Assets

The JUA invested $125.3 million of its assets. (See Exhibit 3). Government bonds of $123.4 million comprised the largest component of the assets. The embedded yield on the bonds is 8.4%, up from 8.3% in 1989 with an average term of 2.3 years. Short-term investments total $0.1 million, and an additional $1.8 million is held in cash. Of the remaining $5.3 million in assets, $2.6 million is in accrued interest, with the balance due mostly from assessments.

Cash Flow

In 1990, cash flow is a negative $13.7 million. (See Exhibit 4). Premium is $11.6 million, down $4.6 million from 1989. Investment income is $9.6 million, unchanged from 1989. Total income is $21.2 million, down $4.6 million from 1989. Total expenditures are $34.9 million, up $16.4 million from $18.5 million in 1989. Expenditures for claim payments are $25.2 million, more than double the $11.0 million in 1989. Loss adjustment expenses are $5.5 million, up $0.8 million. Expenses of $4.2 million in 1990 are up from $2.9 million in 1989.

Statutory Reserves

As of year-end 1990, the JUA reports $108.5 million in loss and loss adjustment expense reserves. (See Exhibit 5). This amount is $7.6 million lower than in 1989. The loss reserve is $84.2 million, down $7.4 million, while the loss adjustment expense reserve is $24.3 million, down $0.3 million from 1989. The loss reserve is comprised of $23.4 million for pending claims and $60.8 million for IBNR. The average reserve is $49,200, up 2% from 1989.

Pending Claims

Pending claims declined dramatically in 1990 to 475 compared to 714 in 1989. (See Exhibit 6). Similar to other JUAs offering occurrence policies, almost 50% of the pending claims are for accident years 1986 and prior.

Reserve Development

For most years, the initial accident-year reserves proved to be inadequate. (See Exhibit 7G). For the early years, 1976 and 1977, the JUA now estimates that the initial reserves were slightly more than adequate. For accident-years 1979 through 1988, the initial accident-year reserves are estimated to have been inadequate. The inadequacies range from $3.0 million in 1988 to $6.6 million in 1980. In 1980, the initial accident-year reserve was $3.7 million, while $10.3 million is the current estimate of that reserve. During 1990, the JUA increased its estimates for accident-years 1986 through 1989 by $6.5 million or 6%.

Unlike the experience of some other JUAs, the amount of money that was expected in 1987 to be paid in 1989 through 1990 was less than the actual. (See Exhibit 8). At year-end 1987, the JUA expected to pay $50.6 million during 1988, 1989 and 1990 for claims that occurred in 1987 and prior. During these three years, the actual payments amounted to $58.1 million or 15% more than expected.

Claim Payout

In Texas, the length of time to pay one-half of the ultimate incurred losses is 4.1 years (Exhibit 9). The JUA expects to pay all claims from a given accident-year in fifteen years.

Discounted Reserves

Based on the statutory results, liabilities are set equal to assets. If the reserve is discounted assuming (1) the current accident-year reserve estimates are adequate, (2) the estimated runoff pattern is reasonable accurate, (3) current invested assets will continue to earn at their current rate, and (4) full value of the invested assets will be obtained if they have to be sold before maturity, the present value of those future payments is $85.5 million and $39.8 million less than current invested assets. (See Exhibit 10). This margin is $5.6 million less than last year.

The current invested assets along with future investment income from those assets appear to be sufficient to pay all current liabilities.

Rate Filings

Except for 1981, 1986, 1988, and 1990 the JUA has always received the approval for the rate increase requested. (See Exhibit 12G). Since its inception the JUA has filed for several rate increases. The first was a 50% increase in hospital rates for 1981. This rate increase was disapproved. For 1983, the JUA filed a 263% rate increase for dentists and oral

surgeons, and this rate increase was approved. For 1985, the JUA filed two rate increases (1) 50% for physicians, surgeons, hospitals, other institutions, and (2) 50% for podiatrists. Both were approved. For 1986, it filed a 156.3% increase for physicians and other non-institutional health care providers and a 161.9% increase for hospitals and other institutional health care providers. For physicians, a 104.7% increase was approved, and a 109.9% increase was approved for hospitals. For 1987, rate increase of 29.8% for physicians and 12.9% for hospitals were requested and approved. For 1988, rate increases of 11.6% for physicians and 58.7% for hospitals was requested. For physicians a rate decrease of 4.2% was approved while a rate increase of 19.2% for hospitals was approved. For 1989, a 7% decrease was filed and approved for physicians and a 19% increase was filed an approved for hospitals. In 1990, an 8% decrease was filed and approved for hospitals.

Conclusions

The Texas JUA appears to be financially sound when future investment income is considered. The fact that the JUA assesses policyholders and insurers when a statutory deficit occurs should prevent huge deficits from accumulating as they have in other JUAs.

Virginia Medical Malpractice JUA

History

The Virginia JUA became operational September 9, 1986. Each licensed insurer writing liability insurance within the state is a member of the association except those insurers exempted by regulation. The JUA offers claims-made coverage to physicians and surgeons. In 1988, the Commission expanded the JUA to include nurse practitioners, nurse anesthetists, and nurse midwives. In 1990, the JUA wrote 3.9% of the medical malpractice market based on premium volume. (See Exhibit 1). The market share is up from 2.0% in 1989.

Funding and Deficit Provisions

Funding is provided from (1) policyholder premiums, (2) Stabilization Reserve Fund surcharges, and (3) member assessments. If a deficit occurs, the deficit is first recovered from the Stabilization Reserve Fund. If the Stabilization Reserve Fund is exhausted, the JUA can assess members as approved by the State Corporation Commission. The liability of the policyholder is limited to the funds accruing in the Stabilization Reserve Fund.

Balance Sheet

As of year-end 1990, the Virginia JUA reports assets of $8.2 million including $1.1 million in the Stabilization Reserve Fund and liabilities of $8.3 million, with a deficit of $0.1 million. (See Exhibit 2). Surplus declined $0.7 million in 1990 because liabilities increased $0.4 million while assets decreased $0.3 million.

Assets

The JUA invests $8.0 million of the $8.3 million of assets. (See Exhibit 3). The investments include $6.1 million in bonds with an average maturity of 2.6 years. The balance of investments, $2.0 million, is held in cash. The $0.2 million in non-invested assets is divided between premium balances, federal income tax recoverable, and other assets. The average yield on the bonds is 8.3%.

Cash Flow

In 1990, the cash flow was $2.8 million. (See Exhibit 4). Income of $4.5 million was offset by $1.7 million in expenditures. Premium income of $3.8 million was up 81% from $2.1 million in 1989. Investment income increased from $0.6 million in 1989 to $0.7 million in 1990. Expenditures declined slightly from $1.8 million to $1.7 million in 1990. Paid claims were $1.6 million in 1990 compared to $1.8 million in 1989. Loss adjustment expenses increased from $330,000 in 1989 to $410,000 in 1990. Other expenses were negative because a federal tax refund of $700,000 offset $400,000 in underwriting expenses.

Statutory Reserves

The JUA reports $7.3 million in loss and loss adjustment expense reserves, a $0.6 million increase over 1989. (See Exhibit 5). More than 90%, or $6.6 million, of the reserves are for claim payments and the remaining 10%, or $0.7 million, are for loss adjustment expenses. The average pending reserve amount of $143,000 is the highest among all the JUAs.

Pending Claims

As of year-end 1990, 24 claims are pending, down one from last year. (See Exhibit 6). Two-thirds of the claims are from 1990, reflecting the claims-made coverage.

Reserve Development

Given that the JUA has only been in operation for a little over three years and the small number of claims, insufficient data is available for meaningful reserve developments.

Claim Payout

The Virginia JUA's limited experience and the claim payout pattern recommended by its consulting actuaries indicates that the JUA can expect to pay one-half of its incurred liability on any accident-year in about one and one-half years of the close of the accident-year. (See Exhibit 9).

Discounted Reserves

Given the expected rapid runoff on claims, the JUA will not have much time to generate investment income. Discounting the reserves based on the rapid runoff and the current embedded yield results in a discounted reserve of $6.5 million (Exhibit 10). This is $1.5 million less than the current invested assets.

Rate Filings

Initial Virginia JUA rate level was established at 5% higher than the medical malpractice rates charged by the largest commercial carrier.

Conclusions

No conclusions can be drawn regarding the financial condition of the Virginia JUA since it has only been in operation for a little over four years and has a very small amount of business. At the present time, the JUA appears to be operating as a residual market given its low market share. The JUA also appears to have sufficient funds to meet its obligations although one large claim could cause serious financial problems.

Wisconsin Medical Malpractice JUA

History

The Wisconsin Medical Malpractice JUA began operations March 17, 1975. Members included all personal liability insurers. Insurance is offered to all health care providers. In 1990, the JUA medical malpractice market share was 23.5% (Exhibit 1).

Funding and Deficit Provisions

Funding comes from two sources, (1) policyholder premiums and (2) member assessments. If the JUA suffers a deficit, members can be assessed based on a pro rate share of their writings. A recoupment provision is provided in the form of a rate increase.

Balance Sheet

As of year-end 1990, the Wisconsin JUA reports $119.5 million in assets ($106.3 million in 1989), $129.1 million in liabilities ($118.0 million in 1989), and a deficit of $9.7 million ($11.7 million in 1989). (See Exhibit 2).

Assets

Invested assets amount to $114.2 million of which $106.3 million is in bonds. Short-term investments at year-end 1990 are $7.9 million. The bond portfolio has an average yield of approximately 7.8%. The average time to maturity for bonds is 5.9 years. The $5.2 million of non-invested assets include $2.7 million of premium balances and $2.5 million in interest income due and accrued.

Cash Flow

In 1990, the Wisconsin JUA had a positive $13.8 million cash flow (Exhibit 4) down from $15.8 million in 1989. Total income of $26.7 million, down from $29.0 million in 1989 is comprised of $17.2 million from premiums, $10.0 million from investment income, and a negative $0.5 million from other income. The premium figure is down from the $17.1 million in 1989, while investment income is up from $8.6 million in 1989. Expenditures of $12.9 million are down $0.3 million from the $13.2 million in 1989. Paid claims remained unchanged at $6.6 million in 1990. The 1990 loss adjustment expenses are $4.9 million compared to $5.1 million in 1989. Other expenses are unchanged at $1.5 million.

Statutory Reserves

The Wisconsin JUA reports $118.8 million in loss and loss adjustment expense reserves as of year-end 1990 (Exhibit 5) up $11.6 million from 1989. The increase is due to loss reserves increasing from $70.8 million in 1989 to $77.9 million in 1990, while the loss adjustment expense reserve in 1990 of $40.8 million is up $4.4 million from $36.4 million in 1989. The increase in the loss reserves is due to the IBNR reserve increasing from $53.4 million in 1989 to $62.6 million in 1990. The pending reserve decreased from $17.4 million in 1989 to $15.4 million in 1990. The average pending reserve of $20,900 is up from the average pending reserve of $19,000 in 1989.

Pending Claims

The number of pending claims is down from 916 in 1989 to 735 in 1990. (See

Exhibit 6). The drop in pending claims from 1,241 in 1986 to the present level may be one of the reasons that over the last three years actual claim payments have been less than expected. (See Exhibit 8). At year-end 1987, the JUA expected to pay $44.6 million during 1988, 1989, and 1990 for injuries that occurred in 1987 and prior. During the three year period, $36.0 million was paid or 19% less than expected.

Discounted Reserves

While the Wisconsin JUA historical payout patterns and current accident-year reserves for development and discounting purposes are not available, the JUA's consulting actuary did provide a projected run-off pattern for the loss and loss adjustment expense reserves as of 9/30/90. Applying this projected run-off pattern to the year-end 1990 reserve and discounting at the average yield, the discounted reserve is estimated to be $90.6 million, which is $23.6 million less than the invested assets of $114.2 million. (See Exhibit 10). This margin provides a cushion if reserves prove to be inadequate or claims are paid faster than anticipated.

Rate Filings

Since 1984, the JUA requested rate increases six times and received approval for the requested rate increases five times. For 1984, the JUA asked for a 51.5% increase in the rates for physicians and received approval for a 35% increase. At the same time, they requested a 67.2% increase for hospitals and received a 49.0% increase. For 1985, the JUA requested and received approval for a 69.6% increase for physicians and a 52.4% increase for hospitals. For 1986, the JUA requested and received approval for a 32.2% increase in physician rates and a 51.4% increase in hospital rates. For 1987, the JUA requested and received approval for a 9.8% increase in physician rates and a 23.1% increase in hospital rates. For 1988, the JUA requested and received approval for a 2.5% increase in physician rates and a 23.8% increase in hospital rates. For 1989, the JUA requested and received approval for an 8.0% increase in physician rates and a 13.2% increase in hospital rates. For 1990, the JUA requested and received approval for a 6.4% increase in physician rates and a 12.9% increase in hospital rates.

Conclusions

Based on this analysis, the Wisconsin JUA appears to have sufficient invested assets including future investment income to cover existing claim liabilities.

1990
EXHIBITS

Exhibit 1
1990 Market Share

State	Percent
Florida	2.1%
Kansas	8.3
Massachusetts	86.5
New Hampshire	64.0
New York	15.5
Pennsylvania	1.8
Rhode Island	80.7
South Carolina	52.7
Texas	5.8
Virginia	3.9
Wisconsin	23.5

Exhibit 2
Balance Sheet--Statutory

Year-End 1990	Florida	Kansas*	Massachusetts	New Hampshire	New York
Assets	$81,245,346	$5,164,965	$828,472,101	$93,158,796	$1,041,184,656
Liabilities	81,245,346	5,164,965	1,149,700,618	141,063,723	1,698,047,740
Surplus	0	0	(321,228,517)	(47,904,927)	(656,863,084)

Year End 1990	Pennsylvania	Rhode Island	South Carolina	Texas	Virginia	Wisconsin
Assets	$59,613,912	$149,726,021	$47,716,062	$130,577,065	$8,200,196	$119,475,317
Liabilities	48,280,189	265,248,182	53,210,315	130,577,065	8,282,046	129,146,935
Surplus	11,333,723	(115,522,161)	(5,494,253)	0	(81,850)	(9,671,618)

* Fiscal year ending June 1990

Exhibit 3
Assets

Year-End 1990	Florida	Kansas*	Massachusetts	New Hampshire	New York
Assets	$81,245,346	$5,164,965	$828,472,101	$93,158,796	$1,041,184,656
Invested	79,785,682	4,951,231	757,338,733	88,044,221	1,018,310,045
Bonds	74,247,022	0	720,099,195	74,438,090	1,003,138,388
Short Term	3,555,496	4,212,939	36,711,225	10,434,336	15,166,000
Cash	1,983,164	738,292	375,693	3,171,795	5,657
Other	0	0	152,620	0	0
Non-Invested	1,459,664	213,734	71,133,368	5,114,575	22,874,611
Premium Balance	1,459,664	0	57,025,628	1,583,760	4,387,905
Other	0	213,734	14,107,740	3,530,815	18,486,706
Embedded Yield	8.5%	8.6%	9.0%	7.7%	9.0%
Bond Maturity In Years	3.4	No Bonds	10.4	6.3	18.3

Year- End 1990	Pennsylvania	Rhode Island	South Carolina	Texas	Virginia	Wisconsin
Assets	$59,613,912	$149,726,021	$47,716,062	$130,577,065	$8,200,196	$119,475,317
Invested	58,388,831	141,242,766	46,817,688	125,281,203	7,990,436	114,228,367
Bonds	56,583,655	124,536,011	45,302,528	123,433,180	6,084,361	106,298,700
Short Term	1,000,000	11,093,350	1,452,224	99,000	0	7,910,140
Cash	805,176	(7,324,891)	62,936	1,749,023	1,906,075	19,527
Other	0	12,938,296	0	0	0	0
Non-Invested	1,225,081	8,483,255	898,374	5,295,862	209,760	5,246,950
Premium Balance	53,752	5,460,615	11,227	0	40,176	2,726,692
Other	1,171,329	3,022,640	0	5,295,862	169,584	2,520,258
Embedded Yield	7.9%	9.1%	8.1%	8.4%	8.3%	7.8%
Bond Maturity In Years	7.9	9.9	2.5	2.3	2.6	5.9

* Fiscal year ending June 1990

Exhibit 4
Cash Flow

Year-End 1990	Florida	Kansas*	Massachusetts	New Hampshire	New York
Income	$12,926,143	$3,278,618	$234,538,311	$24,090,930	$244,306,216
Premium	6,917,506	2,509,089	174,614,671	17,306,050	177,148,076
Investment Income	6,008,637	769,529	56,913,360	6,784,880	74,964,218
Other Income	0	0	3,010,280	0	(7,806,078)
Expenditures	10,819,892	4,907,518	108,737,924	9,976,921	29,754,809
Paid Claims	6,416,199	2,978,233	67,871,425	5,977,485	14,503,012
Loss Adj. Expenses	3,493,682	928,722	22,442,841	2,488,668	11,144,911
Other Expenses	910,011	1,000,563	18,423,658	1,510,768	4,106,886
Net Cash Flow	2,106,251	(1,628,900)	125,800,387	14,114,009	214,551,407

Year End 1990	Pennsylvania	Rhode Island	South Carolina	Texas	Virginia	Wisconsin
Income	$9,001,278	$39,267,229	$15,518,024	$21,237,390	$4,506,408	$26,734,153
Premium	4,434,843	27,425,151	11,935,881	11,604,531	3,837,247	17,249,115
Investment Income	4,566,435	11,733,266	3,582,143	9,631,059	669,161	10,012,136
Other Income	0	108,812	0	1,800	0	(527,098)
Expenditures	11,674,101	23,660,361	10,720,382	34,893,405	1,660,995	12,942,544
Paid Claims	7,660,616	16,478,885	4,930,807	25,238,601	1,569,833	8,626,789
Loss Adj. Expenses	3,539,103	4,996,683	3,850,092	5,481,793	409,743	4,861,958
Other Expenses	474,382	2,184,793	1,939,483	4,173,011	(318,581)	1,453,897
Net Cash Flow	(2,672,823)	15,606,868	4,797,642	(13,656,015)	2,845,413	13,791,509

* Fiscal year ending June 1990

Exhibit 5
Loss and LAE Reserves

Year-End 1990	Florida	Kansas*	Massachusetts	New Hampshire	New York
Loss and LAE Reserves	$81,432,210	$4,080,120	$1,037,181,981	$127,295,062	$1,602,146,420
Loss Reserves	45,341,754	3,091,000	837,875,918	$95,924,059	$1,275,869,324
Lae Reserves	16,090,456	989,120	199,306,063	31,371,003	326,277,096
Loss Reserves	45,341,754	3,091,000	837,875,918	95,924,059	1,275,869,324
Pending	25,005,901	2,851,000	330,826,442	23,780,375	211,261,674
IBNR	20,335,853	240,000	507,049,476	72,143,684	1,064,607,650
Pending Claims	Not Reported	102	3,470	405	2,043

Year End 1990	Pennsylvania	Rhode Island	South Carolina	Texas	Virginia	Wisconsin
Loss and LAE Reserves	$46,638,088	$244,833,113	$46,334,543	$108,478,359	$7,325,234	$118,756,734
Loss Reserves	32,017,696	206,581,718	27,737,404	84,187,243	6,616,000	77,921,604
Lae Reserves	14,620,392	38,251,395	18,597,139	24,291,116	709,234	40,835,130
Loss Reserves	32,017,696	206,581,718	27,737,404	84,187,243	6,616,000	77,921,604
Pending	13,767,537	39,782,718	6,116,150	23,363,676	3,440,000	15,366,638
IBNR	18,250,159	166,799,000	21,621,254	60,823,567	3,176,000	62,554,966
Pending Claims	507	Not Reported	607	475	24	735
Average Pending Claim		27,155	10,076	49,187	143,333	20,907

* Fiscal year ending June 1990

Exhibit 6
Pending Claims

Accident Year	Florida	Kansas*	Massachusetts	New Hampshire	New York
Prior to 1981			125	5	371
1981			62	6	95
1982			112	20	132
1983			178	11	128
1984			202	19	90
1985			306	23	191
1986		2	404	43	308
1987		1	531	100	261
1988		5	488	60	194
1989		30	545	72	130
1990		64	517	46	143
Total	Not Reported	102	3,470	405	2,043

Accident Year	Pennsylvania	Rhode Island	South Carolina	Texas	Virginia	Wisconsin
Prior to 1981	5		23	21	43	
1981	5		1	5	25	
1982	23		16	5	17	
1983	40		19	7	19	
1984	49		30	24	36	
1985	81		31	52	41	
1986	84		49	106	91	
1987	80		138	96	1	96
1988	93		118	99	3	95
1989	30		100	36	4	116
1990	17		82	24	16	156
Total	507	Not Reported	607	475	24	735

* Fiscal year ending June 1990

Exhibit 7A
Florida Reserve Development

Accident-Year Ending	Inception to 12/90 Original Reserve	Inception to 12/90 Developed Reserve at 12/90	Inception to 12/90 Reserve Redundency/ (Deficiency)	1990 Development Developed Reserve at 12/89	1990 Development Developed Reserve at 12/90	1990 Development Reserve Redundency/ (Deficiency)
1976	$6,164,771	$7,295,771	($1,131,000)	$7,410,000	$7,295,771	$114,229
1977	9,096,805	6,442,805	2,654,000	6,601,000	6,442,805	158,195
1978	6,562,029	6,233,771	328,258	6,360,000	6,233,771	126,229
1979	7,392,625	8,353,452	(960,827)	8,466,000	8,353,452	112,548
1980	5,808,681	11,303,881	(5,495,200)	11,985,000	11,303,881	681,119
1981	4,190,641	11,878,641	(7,688,000)	12,422,000	11,878,641	543,359
1982	4,363,976	16,989,984	(12,626,008)	18,046,000	16,989,984	1,056,016
1983	11,616,665	12,178,665	(562,000)	13,778,418	12,178,665	1,599,753
1984	9,723,880	7,273,710	2,450,170	9,001,000	7,273,710	1,727,290
1985	4,652,588	7,984,729	(3,332,141)	9,226,000	7,984,729	1,241,271
1986	10,251,607	9,675,607	576,000	11,211,000	9,675,607	1,535,393
1987	43,212,032	17,799,032	25,413,000	24,573,000	17,799,032	6,773,968
1988	32,533,687	20,943,686	11,590,001	28,872,000	20,943,686	7,928,314
1989	20,782,803	17,449,803	3,333,000	20,782,803	17,449,803	3,333,000
Total	$176,352,790	$161,803,537	$14,549,253	$188,734,221	$161,803,537	$26,930,684

Exhibit 7B
Kansas Reserve Development

Accident-Year Ending	Inception to 6/90 Original Reserve	Inception to 6/90 Developed Reserve at 6/90	Inception to 6/90 Reserve Redundency/ (Deficiency)	1990 Development Developed Reserve at 6/89	1990 Development Developed Reserve at 6/90	1990 Development Reserve Redundency/ (Deficiency)
1981	$706,474	$886,000	($179,526)	$911,826	$886,000	$25,826
1982	1,711,846	1,892,000	(180,154)	1,754,434	1,892,000	(137,566)
1983	2,258,250	1,712,000	546,250	1,914,371	1,712,000	202,371
1984	3,206,250	2,303,000	903,250	2,302,484	2,303,000	(516)
1985	3,727,950	2,319,000	1,408,950	2,318,880	2,319,000	(120)
1986	2,282,700	1,648,000	634,700	1,682,119	1,648,000	34,119
1987	3,854,250	2,463,000	1,391,250	2,541,297	2,463,000	78,297
1988	2,511,000	2,119,000	392,000	1,713,429	2,119,000	(405,571)
1989	3,306,000	3,604,000	(298,000)	3,306,000	3,604,000	(298,000)
Total	$23,564,720	$18,946,000	$4,618,720	$18,444,840	$18,946,000	($501,160)

Exhibit 7C
Massachusetts Reserve Development

Accident-Year Ending	Inception to 12/90 Original Reserve	Inception to 12/90 Developed Reserve at 12/90	Inception to 12/90 Reserve Redundency/ (Deficiency)	1990 Development Developed Reserve at 12/89	1990 Development Developed Reserve at 12/90	1990 Development Reserve Redundency/ (Deficiency)
1980 & P	$160,014,873	$220,202,764	($60,187,891)	$236,119,764	$220,202,764	$15,917,000
1981	48,682,759	82,173,660	(33,490,901)	86,797,660	82,173,660	4,624,000
1982	48,335,514	96,447,979	(48,112,465)	103,265,979	96,447,979	6,818,000
1983	183,025,787	113,216,406	69,809,381	118,162,406	113,216,406	4,946,000
1984	219,925,505	117,833,619	102,091,886	129,639,619	117,833,619	11,806,000
1985	223,626,368	139,552,501	84,073,867	151,774,501	139,552,501	12,222,000
1986	213,581,392	139,665,021	73,916,371	161,429,021	139,665,021	21,764,000
1987	273,110,367	151,130,117	121,980,250	181,733,117	151,130,117	30,603,000
1988	189,974,209	160,205,210	29,768,999	174,558,210	160,205,210	14,353,000
1989	202,234,166	185,699,166	16,535,000	202,234,166	185,699,166	16,535,000
Total	$1,762,510,940	$1,406,126,443	$356,384,497	$1,545,714,443	$1,406,126,443	$139,588,000

Exhibit 7D
New York Reserve Development

Accident-Year Ending	Inception to 12/90 Original Reserve	Inception to 12/90 Developed Reserve at 12/90	Inception to 12/90 Reserve Redundency/ (Deficiency)	1990 Development Developed Reserve at 12/89	1990 Development Developed Reserve at 12/90	1990 Development Reserve Redundency/ (Deficiency)
1975	$8,084,387	$23,254,335	($15,169,948)	$24,527,167	$23,254,335	$1,272,832
1976	44,007,000	64,099,851	(20,092,851)	65,287,855	64,099,851	1,188,004
1977	13,614,000	48,063,972	(34,449,972)	48,527,398	48,063,972	463,426
1978	23,668,000	40,114,161	(16,446,161)	40,964,733	40,114,161	850,572
1979	40,633,000	46,993,240	(6,360,240)	47,164,121	46,993,240	170,881
1980	42,346,997	43,814,676	(1,467,679)	41,753,104	43,814,676	(2,061,572)
1981	49,079,674	38,436,327	10,643,347	40,508,034	38,436,327	2,071,707
1982	65,175,744	31,189,800	33,985,944	33,054,690	31,189,800	1,864,890
1983	56,309,053	32,139,980	24,169,073	34,475,558	32,139,980	2,335,578
1984	30,476,829	18,946,595	11,530,234	20,744,839	18,946,595	1,798,244
1985	127,759,152	69,731,609	58,027,543	65,525,908	69,731,609	(4,205,701)
1986	410,452,381	184,718,724	225,733,657	188,660,257	184,718,724	3,941,533
1987	442,642,079	263,511,477	179,130,602	260,007,882	263,511,477	(3,503,595)
1988	512,467,726	324,363,535	188,104,191	322,966,283	324,363,535	(1,397,252)
1989	336,495,803	328,732,218	7,763,585	336,495,803	328,732,218	7,763,585
Total	$2,203,211,825	$1,558,110,500	$645,101,325	$1,570,663,632	$1,558,110,500	$12,553,132

Exhibit 7E
Rhode Island Reserve Development

Accident-Year Ending	Inception to 12/90 Original Reserve	Inception to 12/90 Developed Reserve at 12/90	Inception to 12/90 Reserve Redundency/ (Deficiency)	1990 Development Developed Reserve at 12/89	1990 Development Developed Reserve at 12/90	1990 Development Reserve Redundency/ (Deficiency)
1976		Not Available			Not Available	
1977		Not Available			Not Available	
1978		Not Available			Not Available	
1979		Not Available			Not Available	
1980	$10,128,614	$19,394,000	($9,265,386)	$19,582,522	$19,394,000	$188,522
1981	11,979,104	17,453,000	(5,473,896)	18,346,152	17,453,000	893,152
1982	18,373,088	28,681,000	(10,307,912)	26,957,979	28,681,000	(1,723,021)
1983	23,186,372	22,456,000	730,372	24,810,379	22,456,000	2,354,379
1984	35,545,996	20,355,000	15,190,996	22,760,716	20,355,000	2,405,716
1985	49,424,676	26,394,000	23,030,676	31,644,451	26,394,000	5,250,451
1986	55,717,802	32,670,000	23,047,802	37,603,495	32,670,000	4,933,495
1987	58,779,671	31,345,000	27,434,671	42,159,049	31,345,000	10,814,049
1988	69,204,616	41,940,000	27,264,616	54,596,511	41,940,000	12,656,511
1989	51,776,651	45,284,000	6,492,651	51,776,651	45,284,000	6,492,651
Total	$384,116,590	$285,972,000	$98,144,590	$330,237,905	$285,972,000	$44,265,905

Exhibit 7F
South Carolina Reserve Development

Accident-Year Ending	Inception to 12/90 Original Reserve	Inception to 12/90 Developed Reserve at 12/90	Inception to 12/90 Reserve Redundency/ (Deficiency)	1990 Development Developed Reserve at 12/89	1990 Development Developed Reserve at 12/90	1990 Development Reserve Redundency/ (Deficiency)
1976	$2,126,101	$2,654,055	($527,954)	$2,662,282	$2,654,055	$8,227
1977	4,234,677	2,086,560	2,148,117	2,090,508	2,086,560	3,948
1978	3,904,004	4,273,083	(369,079)	4,194,307	4,273,083	(78,776)
1979	4,085,342	3,789,494	295,848	3,690,067	3,789,494	(99,427)
1980	3,737,827	4,879,350	(1,141,523)	4,942,275	4,879,350	62,925
1981	3,842,800	4,881,333	(1,038,533)	4,825,569	4,881,333	(55,764)
1982	3,869,282	6,472,351	(2,603,069)	6,440,574	6,472,351	(31,777)
1983	4,416,289	7,648,672	(3,232,383)	7,687,315	7,648,672	38,643
1984	5,021,646	7,345,582	(2,323,936)	7,323,308	7,345,582	(22,274)
1985	9,780,856	6,746,945	3,033,911	6,741,949	6,746,945	(4,996)
1986	11,369,569	7,272,335	4,097,234	8,219,170	7,272,335	946,835
1987	11,879,608	8,199,365	3,680,243	8,849,170	8,199,365	649,805
1988	13,527,519	7,925,071	5,602,448	9,474,725	7,925,071	1,549,654
1989	13,673,307	9,844,036	3,829,271	11,389,394	9,844,036	1,545,358
1990	12,144,745	10,764,813	1,379,932			
Total	$107,613,572	$94,783,045	$12,830,527	$88,530,613	$84,018,232	$4,512,381

Exhibit 7G
Texas Reserve Development

Accident-Year Ending	Inception to 12/90 Original Reserve	Inception to 12/90 Developed Reserve at 12/90	Inception to 12/90 Reserve Redundency/ (Deficiency)	1990 Development Developed Reserve at 12/89	1990 Development Developed Reserve at 12/90	1990 Development Reserve Redundency/ (Deficiency)
1976	$5,767,277	$4,848,377	$918,900	$4,889,997	$4,848,377	$41,620
1977	9,211,976	8,276,859	935,117	9,089,105	8,276,859	812,246
1978	8,819,748	9,564,723	(744,975)	9,057,661	9,564,723	(507,062)
1979	6,451,681	10,668,289	(4,216,608)	10,668,289	10,668,289	0
1980	3,728,214	10,287,331	(6,559,117)	10,775,543	10,287,331	488,212
1981	3,380,338	9,686,519	(6,306,181)	9,922,077	9,686,519	235,558
1982	3,342,294	8,905,286	(5,562,992)	8,493,123	8,905,286	(412,163)
1983	3,944,716	9,374,038	(5,429,322)	8,958,224	9,374,038	(415,814)
1984	8,628,249	12,981,433	(4,353,184)	12,924,624	12,981,433	(56,809)
1985	23,864,797	27,373,641	(3,508,844)	27,092,467	27,373,641	(281,174)
1986	33,923,405	38,835,303	(4,911,898)	36,603,395	38,835,303	(2,231,908)
1987	24,392,395	28,395,003	(4,002,608)	26,393,699	28,395,003	(2,001,304)
1988	19,613,882	22,596,924	(2,983,042)	21,317,675	22,596,924	(1,279,249)
1989	17,076,794	18,105,133	(1,028,339)	17,076,794	18,105,133	(1,028,339)
Total	$172,145,766	$219,898,859	($47,753,093)	$213,262,673	$219,898,859	($6,636,186)

Exhibit 7H
Wisconsin Reserve Development

Accident-Year Ending	Inception to 12/90 Original Reserve	Inception to 12/90 Developed Reserve at 12/90	Inception to 12/90 Reserve Redundency/ (Deficiency)	1990 Development Developed Reserve at 12/89	1990 Development Developed Reserve at 12/90	1990 Development Reserve Redundency/ (Deficiency)
1981	$9,167,000	$15,453,000	($6,286,000)	$16,458,000	$15,453,000	$1,005,000
1982	12,747,000	22,696,000	(9,949,000)	23,565,000	22,696,000	869,000
1983	15,773,000	19,455,000	(3,682,000)	20,171,000	19,455,000	716,000
1984	18,137,000	19,231,000	(1,094,000)	21,231,000	19,231,000	2,000,000
1985	12,336,000	13,113,000	(777,000)	13,989,000	13,113,000	876,000
1986	9,940,000	9,251,000	689,000	10,593,000	9,251,000	1,342,000
1987	13,833,000	14,302,000	(469,000)	15,754,000	14,302,000	1,452,000
1988	18,392,000	18,296,000	96,000	18,242,000	18,296,000	(54,000)
1989	18,223,000	17,533,000	690,000	18,223,000	17,533,000	690,000
Total	$128,548,000	$149,330,000	($20,782,000)	$158,226,000	$149,330,000	$8,896,000

Exhibit 8
Actual paid in 1988, 1989, 1990 for accident years 1987 and prior compared to expected paid based on 1987 reserves

State	Expected	Actual	Ratio Actual to Expected
Florida	$48,722,000	$24,786,843	50.9%
New York	167,846,206	76,280,782	45.4
Rhode Island	78,706,113	49,839,051	63.3
South Carolina	22,742,624	19,528,275	85.9
Texas	50,590,977	58,141,832	114.9
Wisconsin	44,559,740	35,978,109	80.7

Exhibit 9
Cummulative Payout Pattern

Year	Florida	Kansas	New Hampshire	New York	Rhode Island	South Carolina	Texas	Virginia
Initial Year	1.3%	8.1%	0.1%	0.5%	0.3%	0.8%	0.5%	4.6%
Initial Year + 1	7.6	38.1	1.7	0.9	2.8	7.0	5.0	19.6
2	22.9	71.1	6.5	2.2	8.2	23.1	19.6	56.7
3	46.2	86.1	12.9	5.1	16.4	41.9	33.2	79.0
4	68.0	97.1	23.5	10.5	27.2	66.2	48.7	93.4
5	81.0	98.5	37.6	18.6	39.0	79.5	66.0	98.1
6	90.7	99.9	50.7	26.8	49.3	84.5	76.4	100.0
7	94.7	100.0	64.3	38.2	60.0	88.6	82.4	
8	97.5		75.0	47.9	69.4	91.8	85.4	
9	99.8		83.1	55.5	75.6	94.1	87.9	
10	100.0		88.9	62.7	80.2	95.9	90.3	
11			92.8	68.8	83.4	97.4	92.7	
12			95.5	72.5	87.6	98.3	95.2	
13			97.1	78.3	91.4	99.2	97.6	
14			98.1	84.6	95.5	100.0	98.8	
15			100.0	89.4	100.0		100.0	
16				92.7				
17				95.1				
18				97.4				
19				100.0				
Median Payout Term Years	3.2	1.4	5.9	8.3	6.1	3.3	4.1	1.7

Exhibit 10
Discounted Reserves

Year-End 1990	Florida	Kansas(1)	Massachusetts	New Hampshire(2)	New York(2)
Invested Assets	$79,785,682	$4,951,231	$757,338,733	$96,697,976	$1,018,310,045
Discounted Reserves	49,492,775	3,059,745	681,698,409	94,899,719	910,232,985
Difference	30,292,907	1,891,486	75,640,324	1,798,257	108,077,060

Year End 1990	Pennsylvania(3)	Rhode Island(2)	South Carolina	Texas	Virginia(2)	Wisconsin
Invested Assets	$58,388,831	$141,242,766	$46,817,688	$125,281,203	$7,990,436	$114,228,367
Discounted Reserves	46,638,088	164,400,578	37,624,484	85,523,119	6,495,219	90,585,215
Difference	11,750,743	(23,157,812)	9,193,204	39,758,084	1,495,217	23,643,152

(1) Fiscal Year Ending 6-30-90

(2) Invested assets include stabilization reserve fund

(3) Statutory reserve discounted at 6%

Exhibit 11
Current Invested Assets vs. Reserve Runoff

	Rhode Island	
Year	Estimated Paid	Invested Assets
1990		$148,179,972
1991	$26,143,324	128,628,639
1992	28,113,963	112,213,684
1993	27,642,179	94,777,542
1994	27,033,661	76,364,071
1995	25,794,705	57,514,816
1996	23,630,968	39,114,925
1997	21,225,077	21,447,421
1998	16,519,759	6,878,345
1999	13,212,049	($5,708,107)
2000	10,093,262	
2001	8,094,442	
2002	6,453,634	
2003	5,455,789	
2004	3,652,154	
2005	1,768,148	
Remaining Liability	$41,225,535	

Exhibit 12A
Florida Rate Filings for Physicians and Surgeons

Year	Percent Asked For	Percent Approved	Date Approved, Disapproved, or Pending
1977			
1978	20.9%	20.9%	7-9-78
1979	-24.8	-24.8	5-28-79
1980	-25.0	-25.0	5-15-80
1981	10.0	10.0	6-29-81
1982	30.4	30.4	9-9-82
1983	25.4	25.4	6-28-83
1984	77.6	77.6	6-1-84
1985	46.4	46.4	7-1-85
1986*	94.0	94.0	6-29-86
1987	20.0	10.0	7-1-87
1988	21.0	21.0	6-29-88
1989	-7.0	-7.0	7-1-89
1990	0.0	0.0	4-18-90

*Dental Classes Only

Florida Rate Filings for Hospitals and other Facilities

Year	Percent Asked For	Percent Approved	Date Approved, Disapproved, or Pending
1977	No Activity		
1978	-8.6%	-8.6%	7-9-78
1979	-19.6	-19.6	5-28-79
1980	-25.0	-25.0	5-15-80
1981	17.3	17.3	6-29-81
1982	29.5	29.5	9-9-82
1983	50.4	50.4	6-28-83
1984	41.4	41.4	6-1-84
1985	6.2	6.2	7-1-85
1986	No Activity		
1987	57.0	14.0	7-1-87
1988	98.0	66.7	6-29-88
1989	19.0	19.0	7-1-89
1990	-8.0	-8.0	4-18-90

Exhibit 12B
Massachusetts Rate Filings for Physicians and Surgeons*

Year		Percent Asked For	Percent Approved	Date Approved, Disapproved, or Pending
1977			7.3%	
1978			0.0	
1979			0.0	
1980			10.0	
1981			0.0	
1982			9.1	
1983		162.0%	42.0	5-18-84 Appealed
1983	Sup.	188.0	68.1	6-11-86
1984		41.6	10.9	6-11-86
1985		71.1	23.6	3-4-87
1986		10.3	8.7	3-4-87
1987		10.0	6.5	3-4-87
1988		8.6	0.0	3-88
1989		44.0	8.6	3-1-89
1990		0.0	0.0	3-1-90

*Amount requested and final decision date not reported for 1977-1982

Exhibit 12C
New Hampshire Rate Filings for Physicians and Surgeons

Year		Percent Asked For	Percent Approved	Date Approved, Disapproved, or Pending
1977		No Activity		
1978		No Activity		
1979		No Activity		
1980		45.0%	45.0%	6-24-80
1981		50.0	50.0	6-2-81
1982		70.0	70.0	6-9-82
1983		30.0	30.0	6-83
1984	Basic	5.1	5.1	6-13-84
	Excess	15.0	15.0	6-13-84
1985		No Activity		
1986		9.3	0.0	9-86
1987		12.2	12.2	6-87
1988		8.9	8.96	-15-88
1989		No Activity		
1990		17.0	9.7 (A) 14.8 (B)	7-1-90 7-1-90

(A) Classes I & II
(B) Classes III & Up

Exhibit 12D
New York Rate Filings

Year	Percent Asked For	Percent Approved	Date Approved, Disapproved, or Pending
1977	90.0%	15.5%	6-77
1978	98.0	Disapproved	6-78
1979	104.0	Disapproved	6-79
1980	186.0	Disapproved	6-80
1981	210.0	58.5	10-81
1982	243.0	15.0	12-82
1983	180.0	83.3	1-85
1984	62.0	52.3	1-85
1985	128.0	14.0	7-86
1986	135.0	9.0	7-86
1987	115.0	9.0	7-87
1988	77.0	5.0	7-89
1989	10.0	0.0	7-90
1990	20.0	-5.0	7-90

Exhibit 12E
Rhode Island Rate Filings

Year		Percent Asked For	Percent Approved	Date Approved, Disapproved, or Pending
1977		No Activity		
1978		34.1%		No Hearing
1979		9.7	9.7%	6-27-79
1980		25.3		Withdrawn
1981	Basic	7.4		
	Excess	12.7		
	Total	21.0	12.7	6-17-81
1982	Basic	41.3	23.1	6-23-82
1983	Basic	43.3	24.0	6-30-83
	Excess	24.7		
1984	Basic	44.6	11.5	6-27-84
	Excess	25.9	16.7	
1985	Basic	101.3	30.0	6-28-85
	Excess	14.8	14.8	
	Total	131.3		
1986	Total	91.4	36.1	7-1-87
1987	Basic	78.0	5.6	7-1-87
	Excess	9.3	28.9	
1988	Total	55.3	19.9	6-30-88
1989		No Activity		
1990		No Activity		

Exhibit 12F
South Carolina Rate Filings

Year		Percent Asked For		Percent Approved	Date Approved, Disapproved, or Pending
1977	Physicians	50.0%		50.0%	7-1-77
1978	Hospital	133.0		133.0	7-1-78
1979			No Activity		
1980			No Activity		
1981	Physicians	40.0		40.0	7-1-81
1982			No Activity		
1983	Physicians	25.0		25.0	7-1-83
	Hospital	20.0		20.0	7-1-83
1984			No Activity		
1985	Physicians	25.0		25.0	1-1-85
	Hospital	40.0		40.0	1-1-85
1986	Physicians	25.0		25.0	1-9-86
	Hospital	45.0		45.0	1-9-86
1987			No Activity		
1988			No Activity		
1989			No Activity		
1990	Physicians	-20.0		-20.0	1-9-86
	Hospital	-10.0		-10.0	1-9-86

Exhibit 12G
Texas Rate Filings

Year	Percent Asked For	Percent Approved	Date Approved, Disapproved, or Pending
1977	No Activity		
1978	No Activity		
1979	No Activity		
1980	No Activity		
1981	50.0% (A)	Disapproved	4-16-81
1982	No Activity		
1983	263.0 (B)	263.0%	11-10-83
1984	No Activity		
1985	50.0 (C)	50.0	5-21-85
	50.0 (D)	50.0	10-29-85
1986	156.3 (E)	104.7	8-1-86
	161.9 (F)	109.9	8-1-86
1987	29.8 (E)	29.8	9-25-87
	12.9 (F)	12.9	9-25-87
1988	11.6 (E)	-4.2	2-1-89
	58.7 (F)	19.2	2-1-89
1989	-7.0 (E)	-7.0	
	19.0 (F)	19.0	
1990	-8.0 (F)	-8.0	

(A) Hospital
(B) Dentists and oral surgeons
(C) Physcians, surgeons, hospitals, and other institutions
(D) Podiatrists
(E) Physicians and other non-institutional healthcare providers
(F) Hospitals and other institutional healthcare providers

Exhibit 12H
Wisconsin Rate Filings for Physicians

Year	Percent Asked For	Percent Approved	Date Approved, Disapproved, or Pending
1984	51.5%	35.0%	7-1-84
1985	69.6	69.6	7-1-85
1986	32.2	32.2	7-1-86
1987	9.8	9.8	7-1-87
1988	2.5	2.5	7-1-88
1989	8.0	8.0	7-1-89
1990	6.4	6.4	7-1-90

Wisconsin Rate Filings for Hospitals

Year	Percent Asked For	Percent Approved	Date Approved, Disapproved, or Pending
1984	67.2%	49.0%	7-1-84
1985	52.4	52.4	7-1-85
1986	51.4	51.4	7-1-86
1987	23.1	23.1	7-1-87
1988	23.8	23.8	7-1-88
1989	13.2	13.2	7-1-89
1990	12.9	12.9	7-1-90

1989
EXHIBITS

Exhibit 1
1989 Market Share

State	Percent
Florida	5.0%
Kansas	12.1
Massachusetts	87.5
Minnesota	0.4
New Hampshire	62.5
New York	18.7
Pennsylvania	2.1
Rhode Island	89.1
South Carolina	58.9
Texas	8.0
Virginia	2.0
Wisconsin	22.3

Exhibit 2
Balance Sheet—Statutory

Year-End 1989	Florida	Kansas*	Massachusetts	Minnesota	New Hampshire	New York
Assets	$78,782,471	$10,019,663	$ 682,282,755	$1,177,139	$70,885,163	$963,119,207
Liabilities	$78,782,471	$10,019,663	1,147,578,978	960,484	108,229,182	1,444,494,883
Surplus	0	0	(465,296,223)	216,655	(37,344,019)	(481,375,676)

Year-End 1989	Pennsylvania	Rhode Island	South Carolina*	Texas	Virginia	Wisconsin
Assets	$62,118,884	$135,155,542	$42,796,680	$141,842,557	$8,484,822	$106,274,712
Liabilities	54,486,845	285,173,107	48,971,254	141,842,557	7,871,515	117,970,121
Surplus	7,632,039	(150,017,565)	(6,174,574)	0	613,307	(11,695,409)

* Fiscal year ending June 1989.

Exhibit 3
Assets

Year-End 1989	Florida	Kansas*	Massachusetts	Minnesota	New Hampshire	New York
Assets	$78,782,471	$10,019,663	$682,282,755	$1,177,139	$70,885,163	$963,119,207
Invested	75,276,045	9,670,260	619,741,291	1,171,208	65,243,147	812,807,972
Bonds	71,429,262	0	600,810,615	0	63,020,704	740,152,827
Short Term	845,334	7,908,213	17,306,000	0	0	72,388,146
Cash	3,001,449	1,762,047	1,410,421	803,073	2,222,443	266,999
Other	0	0	214,255	368,135	0	0
Non-Invested	3,506,426	349,403	62,541,464	5,931	5,642,016	150,311,235
Premium Balance	1,994,943	0	46,454,405	3,333	2,760,964	136,645,015
Other	1,511,483	349,403	16,087,059	2,598	2,881,052	13,666,220
Embedded Yield	8.3%	7.7%	8.0%	6.0%	8.4%	8.8%
Bond Maturity In Years	3.8	No Bonds	12.6	No Bonds	4.3	20.5

Year-End 1989	Pennsylvania	Rhode Island	South Carolina*	Texas	Virginia	Wisconsin
Assets	$62,118,884	$135,155,542	$42,796,680	$141,842,557	$8,484,822	$106,274,712
Invested	60,942,923	124,664,595	42,763,998	137,207,355	7,381,714	101,462,964
Bonds	58,915,795	109,347,898	38,281,430	128,875,712	5,400,972	98,848,455
Short Term	1,500,000	3,987,830	4,437,419	2,256,067	893,774	2,655,140
Cash	527,128	(15,775)	45,149	6,075,576	1,086,968	(40,631)
Other	0	11,344,642	0	0	0	0
Non-Invested	1,175,961	10,490,947	32,682	4,635,202	1,103,108	4,811,748
Premium Balance	46,020	7,537,185	32,682	0	235,092	2,363,441
Other	1,129,941	2,953,762	0	4,635,202	868,016	2,448,307
Embedded Yield	8.2%	8.8%	8.0%	8.3%	8.5%	7.8%
Bond Maturity In Years	6.8	4.3	2.3	2.3	2.3	6.4

* Fiscal year ending June 1989.

Exhibit 4
Cash Flow

Year-End 1989	Florida	Kansas*	Massachusetts	Minnesota	New Hampshire	New York
Income	$23,531,143	$5,254,417	$230,946,951	$336,101	$23,998,483	$260,054,480
Premium	19,047,838	4,675,936	179,564,367	288,002	18,849,940	203,579,954
Investment Income	4,483,305	578,481	48,593,520	48,099	5,148,543	53,623,175
Other Income	0	0	2,789,064	0	0	2,851,351
Expenditures	13,104,638	4,347,033	120,156,681	111,119	9,125,640	40,095,316
Paid Claims	7,637,016	2,023,785	78,573,094	14,000	5,097,131	16,872,165
Loss Adj. Exp.	3,473,990	593,086	19,072,719	24,835	2,354,137	9,395,275
Other Expenses	1,993,632	1,730,162	22,510,868	72,284	1,674,372	13,827,876
Net Cash Flow	10,426,505	907,384	110,790,270	224,982	14,872,843	219,959,164

Year-End 1989	Pennsylvania	Rhode Island	South Carolina*	Texas	Virginia	Wisconsin
Income	$10,081,076	$42,023,068	$15,809,930	$25,767,197	$2,766,912	$29,010,532
Premium	5,272,234	31,866,791	12,992,500	16,175,876	2,138,536	17,142,220
Investment Income	4,808,842	10,041,701	2,817,429	9,588,121	628,351	8,603,694
Other Income	0	114,576	1	3,200	25	3,264,618
Expenditures	11,351,361	19,809,851	7,540,877	18,517,316	3,078,269	13,169,819
Paid Claims	6,811,666	13,853,615	2,562,989	10,960,883	1,883,822	6,577,581
Loss Adj. Exp.	3,374,763	3,994,224	3,308,867	4,692,454	329,579	5,063,027
Other Expenses	1,164,932	1,962,012	1,669,021	2,863,979	914,868	1,529,211
Net Cash Flow	($1,270,285)	22,213,217	8,269,053	7,249,881	(311,357)	15,840,713

* Fiscal year ending June 1989.

Exhibit 5
Loss and LAE Reserves

Year-End 1989	Florida	Kansas*	Massachusetts	Minnesota**	New Hampshire	New York
Loss and LAE Reserves	$82,391,071	$4,877,400	$1,050,465,913	$465,241	$95,238,947	$1,333,159,661
Loss Reserves	58,769,800	3,695,000	754,608,242	465,241	71,235,988	1,061,765,301
LAE Reserves	23,621,271	1,182,400	295,857,671	0	24,002,959	271,394,360
Loss Reserves	58,769,800	3,695,000	654,608,242	465,241	71,235,988	1,061,765,301
Pending	21,205,183	3,545,000	355,630,089	42,003	9,978,001	167,060,375
IBNR	$37,564,617	$ 150,000	$ 398,978,153	423,238	$61,257,987	$894,704,926
Pending Claims	Not Reported	113	3,966	3	306	2,149
Average Pending Claim		$ 31,372	$ 89,670	$ 14,001	$ 32,608	$ 77,739

Year-End 1989	Pennsylvania	Rhode Island	South Carolina*	Texas	Virginia	Wisconsin
Loss and LAE Reserves	$52,753,554	$261,199,000	$41,185,042	$116,144,859	$6,747,188	$ 107,185,430
Loss Reserves	35,793,107	227,241,000	25,351,250	91,587,173	6,229,500	70,797,893
LAE Reserves	16,960,447	33,958,000	15,833,792	24,557,686	517,688	36,387,537
Loss Reserves	35,793,107	227,241,000	25,351,250	91,587,173	6,229,500	70,797,893
Pending	18,211,075	45,872,600	8,198,500	34,563,525	3,510,500	17,382,914
IBNR	$17,582,032	$181,368,400	$17,152,750	$57,023,648	$2,719,000	$53,414,979
Pending Claims	556	1,131	715	714	25	916
Average Pending Claim	$ 32,754	$ 40,559	$ 11,466	$ 48,408	$ 140,420	$ 18,977

* Fiscal year ending June 1989.

** LAE Reserves included in Loss Reserves and Pending and IBNR Loss Reserves also include LAE Reserves

Exhibit 6
Pending Claims

Calendar Year	Florida	Kansas*	Massachusetts	Minnesota	New Hampshire	New York
Prior to 1980			138		11	281
1980			89		11	90
1981			123		14	99
1982			220		18	139
1983			285		31	163
1984			350		28	170
1985			523		40	112
1986		4	597		53	300
1987		6	541	2	39	320
1988		18	623	1	33	288
1989		85	477	0	28	150
						37
Total	Not Reported	113	3,966	3	306	2,149

Calendar Year	Pennsylvania	Rhode Island	South Carolina*	Texas	Virginia	Wisconsin
Prior to 1980	7	79	23	26		39
1980	4	22	8	7		15
1981	12	45	3	7		27
1982	36	85	26	11		41
1983	62	147	34	19		47
1984	72	142	51	38		86
1985	111	138	64	116		80
1986	108	225	131	194		125
1987	93	121	148	196	2	100
1988	38	80	144	77	10	164
1989	13	47	83	23	13	192
Total	556	— 1,131	715	714	25	916

* Fiscal year ending June 1989

Exhibit 7A
Florida Reserve Development

Accident-Year Ending	Inception to 12/89 Original Reserve	Inception to 12/89 Developed Reserve at 12/89	Inception to 12/89 Reserve Redundency/ (Deficiency)	1989 Development Developed Reserve at 12/88	1989 Development Developed Reserve at 12/89	1989 Development Reserve Redundency/ (Deficiency)
1976	$ 6,164,771	$ 7,410,000	$ (1,245,229)	$ 7,410,000	$ 7,410,000	$ 0
1977	9,096,805	6,601,000	2,495,805	6,601,000	6,601,000	0
1978	6,562,029	6,360,000	202,029	6,360,000	6,360,000	0
1979	7,392,625	8,466,000	(1,073,375)	8,466,000	8,466,000	0
1980	5,808,681	11,985,000	(6,176,319)	11,612,000	11,985,000	(373,000)
1981	4,190,641	12,422,000	(8,231,359)	12,412,000	12,422,000	(10,000)
1982	4,363,976	18,046,000	(13,682,024)	18,586,000	18,046,000	540,000
1983	11,616,665	13,778,418	(2,161,753)	13,778,418	13,778,418	0
1984	9,723,880	9,001,000	722,880	8,635,000	9,001,000	(366,000)
1985	4,652,588	9,226,000	4,573,412	8,526,000	9,226,000	(700,000)
1986	10,251,607	11,211,000	959,393	13,385,000	11,211,000	2,174,000
1987	43,212,032	24,573,000	18,639,032	35,601,000	24,573,000	11,028,000
1988	32,533,687	28,872,000	3,661,687	32,533,687	28,872,000	3,661,687
Total	$155,569,987	$167,951,418	$(12,381,431)	$183,906,105	$167,951,418	$15,954,687

Exhibit 7B
Kansas Reserve Development

Accident-Year Ending	Inception to 6/89 Original Reserve	Inception to 6/89 Developed Reserve at 6/89	Inception to 6/89 Reserve Redundency/ (Deficiency)	1989 Development Developed Reserve at 6/88	1989 Development Developed Reserve at 6/89	1989 Development Reserve Redundency/ (Deficiency)
1977	$ 231,980	$ 16,044	$ 215,936	$ 16,044	$ 16,044	$ 0
1978	583,730	321,704	262,026	321,704	321,704	0
1979	861,487	459,923	401,564	459,923	459,923	0
1980	815,528	1,040,462	(224,934)	1,040,462	1,040,462	0
1981	706,474	911,826	(205,352)	911,826	911,826	0
1982	1,711,846	1,754,434	(42,588)	1,754,434	1,754,434	0
1983	2,258,250	1,914,371	343,879	1,914,371	1,914,371	0
1984	3,206,250	2,302,484	903,766	2,557,129	2,302,484	254,645
1985	3,727,950	2,318,880	1,409,070	2,318,880	2,318,880	0
1986	2,282,700	1,682,119	600,581	1,873,134	1,682,119	191,015
1987	3,854,250	2,541,297	1,312,953	2,837,801	2,541,297	296,504
1988	2,511,000	1,713,429	797,571	2,511,000	1,713,429	797,571
Total	$22,751,445	$16,976,973	$5,774,472	$18,516,708	$16,976,973	$1,539,735

Exhibit 7C
Massachusetts Reserve Development

Inception to 12/89

Accident-Year Ending	Original Reserve	Developed Reserve at 12/89	Reserve Redundency/ (Deficiency)
1979 & P	$ 127,479,595	$ 161,135,454	$ (33,655,859)
1980	35,304,820	72,580,310	(37,275,490)
1981	48,682,760	83,070,660	(34,387,900)
1982	48,335,515	94,715,979	(46,380,464)
1983	182,544,791	105,164,406	77,380,385
1984	221,491,220	110,696,619	110,794,601
1985	223,626,369	123,323,501	100,302,868
1986	213,581,392	126,304,021	87,277,371
1987	273,112,368	135,732,117	137,380,251
1988	189,974,209	133,649,210	56,324,999
Total	$1,564,133,039	$1,146,372,277	$417,760,762

1989 Development

Accident-Year Ending	Developed Reserve at 12/88	Developed Reserve at 12/89	Reserve Redundency/ (Deficiency)
1979 & P	$ 163,531,454	$ 161,135,454	$2,396,000
1980	76,305,310	72,580,310	3,725,000
1981	91,619,660	83,070,660	8,549,000
1982	107,711,979	94,715,979	12,996,000
1983	124,105,406	105,164,406	18,941,000
1984	139,093,619	110,696,619	28,397,000
1985	158,581,501	123,323,501	35,258,000
1986	172,795,021	126,304,021	46,491,000
1987	177,443,117	135,732,117	41,711,000
1988	189,974,209	133,649,210	56,324,999
Total	$1,401,161,276	$1,146,372,277	$254,788,999

Exhibit 7D
New York Reserve Development

Inception to 12/89

Accident-Year Ending	Original Reserve	Developed Reserve at 12/89	Reserve Redundency/ (Deficiency)
1975	$ 8,084,387	$ 24,527,167	$(16,442,780)
1976	44,007,000	65,287,855	(21,280,855)
1977	13,614,000	48,527,398	(34,913,398)
1978	23,668,000	40,964,733	(17,296,733)
1979	40,633,000	47,164,121	(6,531,121)
1980	42,364,997	41,753,104	593,893
1981	49,079,674	40,508,034	8,571,640
1982	65,175,744	33,054,690	32,121,054
1983	56,309,053	34,475,558	21,833,495
1984	30,476,829	20,744,839	9,731,990
1985	127,759,152	65,525,908	62,233,244
1986	410,452,381	188,660,257	221,792,124
1987	442,642,079	260,007,882	182,634,197
1988	512,467,726	322,966,283	189,501,443
Total	$1,886,716,022	$1,234,167,829	$632,548,193

1989 Development

Accident-Year Ending	Developed Reserve at 12/88	Developed Reserve at 12/89	Reserve Redundency/ (Deficiency)
1975	$ 25,559,735	$ 24,527,167	$ 1,032,568
1976	64,869,695	65,287,855	(418,169)
1977	49,458,709	48,527,398	931,311
1978	42,731,104	40,964,733	1,766,371
1979	49,344,398	47,164,121	2,180,277
1980	45,007,896	41,753,104	3,254,792
1981	48,897,121	40,508,034	8,389,087
1982	39,747,665	33,054,690	6,692,975
1983	46,357,117	34,475,558	11,881,559
1984	27,467,936	20,744,839	6,723,097
1985	118,296,350	65,525,908	52,770,442
1986	333,956,308	188,660,257	145,296,051
1987	438,752,070	260,007,882	178,744,188
1988	512,467,726	322,966,283	189,501,443
Total	1,842,913,830	$1,234,167,829	$608,746,001

Exhibit 7E
Rhode Island Reserve Development

Accident-Year Ending	Inception to 12/89 Original Reserve	Inception to 12/89 Developed Reserve at 12/89	Inception to 12/89 Reserve Redundency/ (Deficiency)	1989 Development Developed Reserve at 12/88	1989 Development Developed Reserve at 12/88	1989 Development Reserve Redundency/ (Deficiency)
1976		Not Available			Not Available	
1977		Not Available			Not Available	
1978		Not Available			Not Available	
1979		Not Available			Not Available	
1980	$ 10,128,614	$ 19,582,522	$(9,453,908)	$ 18,857,045	$ 19,582,522	$ (725,477)
1981	11,979,104	18,346,152	(6,367,048)	17,325,608	18,346,152	(1,020,544)
1982	18,373,088	26,957,979	(8,584,891)	27,405,305	26,957,979	447,326
1983	23,186,372	24,810,379	(1,624,007)	23,973,118	24,810,379	(837,261)
1984	35,545,996	22,760,716	12,785,280	23,138,499	22,760,716	377,783
1985	49,424,676	31,644,451	17,780,225	31,285,381	31,644,451	(359,070)
1986	55,717,802	37,603,495	18,114,307	40,098,283	37,603,495	2,494,788
1987	58,779,671	42,159,049	16,620,622	53,906,821	42,159,049	11,747,772
1988	69,204,616	54,596,511	14,608,105	69,204,616	54,596,511	14,608,105
Total	$332,339,939	$278,461,254	$53,878,685	$305,194,676	$278,461,254	$26,733,442

Exhibit 7F
South Carolina Reserve Development

Fiscal Accident-Year Ending	Inception to 12/89 Original Reserve	Inception to 12/89 Developed Reserve at 12/89	Inception to 12/89 Reserve Redundency/ (Deficiency)
1976	$ 2,126,101	$ 2,662,282	$ (536,181)
1977	Not Available	2,090,508	
1978	Not Available	4,194,307	
1979	Not Available	3,690,067	
1980	3,737,827	4,942,275	(1,204,448)
1981	3,842,800	4,825,569	(982,769)
1982	3,869,282	6,440,574	(2,571,292)
1983	4,416,289	7,687,315	(3,271,026)
1984	5,021,646	7,323,308	(2,301,662)
1985	9,780,856	6,714,949	3,038,907
1986	11,369,569	8,219,170	3,150,399
1987	11,879,608	8,849,170	3,030,438
1988	13,527,519	9,474,725	4,052,794
1989	13,527,519	11,389,394	2,138,125
Total	$83,099,016	$88,530,613	$4,543,285

Exhibit 7G
Texas Reserve Development

Inception to 12/89

Accident-Year Ending	Original Reserve	Developed Reserve 12/89	Reserve Redundency/ (Deficiency)
1976	$5,767,277	$4,889,997	$ 877,280
1977	9,211,976	9,089,105	122,871
1978	8,819,748	9,057,661	(237,913)
1979	6,451,681	10,668,289	(4,216,608)
1980	3,728,214	10,775,543	(7,047,329)
1981	3,380,338	9,922,077	(6,541,739)
1982	3,342,294	8,493,123	(5,150,829)
1983	3,944,716	8,958,224	(5,013,508)
1984	8,628,249	12,924,624	(4,296,375)
1985	23,864,797	27,092,467	(3,227,670)
1986	33,923,405	36,603,395	(2,679,990)
1987	24,392,395	26,393,699	(2,001,304)
1987	19,613,882	21,317,675	(1,703,793)
Total	$155,068,972	$196,185,879	$(41,116,907)

Inception to 12/89

Accident-Year Ending	Developed Reserve 12/88	Developed Reserve 12/89	Reserve Redundency/ (Deficiency)
1976	$5,221,059	$4,889,997	$ 331,062
1977	9,089,105	9,089,105	0
1978	9,241,901	9,057,661	184,240
1979	10,668,289	10,668,289	0
1980	10,978,531	10,775,543	202,988
1981	10,340,848	9,922,077	418,771
1982	8,862,144	8,493,123	369,028
1983	8,439,720	8,958,224	(518,504)
1984	12,161,219	12,924,624	(763,405)
1985	27,092,461	27,092,467	(6)
1986	33,923,405	36,603,395	(2,679,990)
1987	24,392,395	26,393,699	(2,001,304)
1987	19,613,882	21,317,675	(1,703,793)
Total	$190,024,959	$196,185,879	$(6,160,920)

Exhibit 8
Actual Paid in 1987, 1988, 1989 for accident years 1986 and prior compared to expected paid based on 1986 reserves

State	Expected	Actual	Ratio Actual to Expected
Florida	$36,968,000	$31,231,304	84.5%
New York	163,876,689	76,333,554	46.6
Rhode Island	91,736,196	46,024,073	50.2
South Carolina*	18,593,067	17,614,867	94.7
Texas	40,632,565	39,133,787	96.3
Wisconsin	44,453,087	41,941,244	94.3

* Fiscal-year ending 6/86 reserves, actual paid for fiscal accident years ending 6/87, 6/88, and 6/89

Exhibit 9
Cumulative Payout Pattern

Year	Florida	Kansas	New Hampshire	New York	Rhode Island	South Carolina	Texas	Virginia
Initial year	0.8%	8.1%	0.2%	0.5%	0.2%	0.8%	0.4%	5.5%
+ 1	6.7	38.1	2.3	0.9	2.7	6.9	5.3	21.1
2	21.6	71.1	10.1	2.2	7.7	23.1	19.3	34.9
3	45.5	86.1	18.9	5.1	16.0	42.1	32.0	59.0
4	66.4	97.1	32.2	10.9	26.0	66.4	47.8	81.7
5	78.7	98.5	45.0	17.2	39.8	79.9	64.9	95.5
6	89.0	99.9	54.5	24.5	52.0	84.9	74.9	98.1
7	93.0	100.0	63.2	34.3	59.4	89.0	80.8	100.0
8	96.0		69.3	43.5	66.9	92.3	83.0	
9	97.8		73.8	52.0	70.9	94.6	85.4	
10	98.9		78.0	60.4	74.7	96.2	88.3	
11	100.0		31.4	66.8	76.6	97.9	91.2	
12			83.5	71.9	80.8	98.8	94.2	
13			84.3	77.3	82.4	99.4	97.1	
14			85.8	82.9	84.6	100.0	98.5	
15			87.8	86.7	86.8		100.0	
16			90.1	89.8	89.0			
17			92.5	93.2	91.2			
18			95.0	96.3	93.4			
19			97.2	99.0	95.6			
20			99.1	100.0	97.8			
21			100.0		100.0			
Median PayoutTerm Years	3.2	1.4	5.5	8.8	5.8	3.3	4.1	2.6

Exhibit 10
Discounted Reserves

Year-End 1989	Florida	Kansas(1)	Massachusetts	New Hampshire(2)	New York(2)
Invested Assets	$75,276,045	$9,670,260	$619,741,291	$75,866,895	$812,807,972
Discounted Reserves	65,306,931	4,088,032	737,609,076	63,170,210	695,775,257
Difference	9,969,114	5,582,228	(117,867,785)	12,696,685	117,032,715

Year-End 1989	Pennsylvania(3)	Rhode Island(2)	South Carolina(1)	Texas	Virginia(2)	Wisconsin
Invested Assets	$60,942,923	$130,490,987	$41,247,389	$137,207,355	$7,381,714	$101,462,964
Discounted Reserves	52,753,554	172,951,074	33,440,702	91,839,277	5,624,781	79,741,366
Difference	8,189,369	(42,460,087)	7,806,687	45,368,078	1,756,933	21,721,598

(1) Fiscal year ending 6-30-89

(2) Invested assets include stabilization reserve fund

(3) Statutory reserve discounted at 6%

Exhibit 11
Current Invested Assets vs. Reserve Runoff

Year	Massachusetts Estimated Paid	Massachusetts Invested Assets	Rhode Island Estimated Paid	Rhode Island Invested Assets
1989		$ 619,741,291		$ 130,490,987
1990	$ 124,118,046	519,991,195	$ 26,658,183	108,968,538
1991	126,884,012	434,802,745	28,520,660	89,244,716
1992	123,534,332	346,133,129	29,487,983	66,945,372
1993	118,590,650	255,297,209	28,319,870	44,017,934
1994	108,490,546	167,277,704	25,936,897	21,626,670
1995	93,287,697	87,403,192	20,044,363	3,324,330
1996	75,767,185	18,644,443	14,461,401	$(10,869,297)
1997	60,713,119	$(40,573,669)	13,066,696	
1998	48,118,921		10,759,228	
1999	41,579,247		9,088,525	
2000	37,128,307		7,811,192	
2001	30,558,651		7,453,739	
2002	23,439,319		6,553,691	
2003	14,715,717		6,491,028	
2004	9,557,645		5,966,535	
2005	5,643,617		5,305,894	
2006	2,705,897		4,709,630	
2007	4,018,485		4,037,017	
2008	1,614,519		3,176,049	
2009			2,259,444	
2010			1,090,974	
Remaining Liability	$259,653,995		$ 98,638,940	

Exhibit 12A
Florida Rate Filings for Physicians and Surgeons

Year	Percent Asked For	Percent Approved	Date Approved, Disapproved, or Pending
1977			
1978	20.9%	20.9%	7-9-78
1979	-24.8	-24.8	5-28-79
1980	-25.0	-25.0	5-15-80
1981	10.0	10.0	6-29-81
1982	30.4	30.4	9-9-82
1983	25.4	25.4	6-28-83
1984	77.6	77.6	6-1-84
1985	46.4	46.4	7-1-85
1986*	94.0	94.0	6-29-86
1987	20.0	10.0	7-1-87
1988	21.0	21.0	6-29-88
1989	-0.7	-0.7	4-4-89

* Dental Classes only

Florida Rate Filings for Hospitals and Other Facilities

Year	Percent Asked For	Percent Approved	Date Approved, Disapproved, or Pending
1977	NO ACTIVITY		
1978	-8.6%	-8.6%	7-9-78
1979	-19.6	-19.6	5-28-79
1980	-25.0	-25.0	5-15-80
1981	17.3	17.3	6-29-81
1982	29.5	29.5	9-9-82
1983	50.4	50.4	6-28-83
1984	41.4	41.4	6-1-84
1985	6.2	6.2	7-1-85
1986	NO ACTIVITY		
1987	57.0	14.0	7-1-87
1988	98.0	66.7	6-29-88
	22.0	22.0	12-30-80
1989	19.0	19.0	4-4-89

Exhibit 12B
Massachusetts Rate Filings for Physicians and Surgeons

Year	Percent Asked For	Percent Approved	Date Approved, Disapproved, or Pending*
1977		7.3%	
1978		0.0	
1979		0.0	
1980		10.0	
1981		0.0	
1982		9.1	
1983	162.0%	42.0	5-18-84 Appealed
1983 Supplement	188.0	68.1	6-11-86
1984	41.6	10.9	6-11-86
1985	71.1	23.6	3-4-87
1986	10.3	8.7	3-4-87
1987	10.0	6.5	3-4-87
1988	8.6	0.0	March 1988
1989	44.0	8.6	3-1-89

* Amount requested and final decision date not reported for 1977-1982

Exhibit 12C
New Hampshire Rate Filings for Physicians and Surgeons

Year		Percent Asked For	Percent Approved	Date Approved, Disapproved, or Pending
1977		NO ACTIVITY		
1978		NO ACTIVITY		
1979		NO ACTIVITY		
1980		45.0%	45.0%	6-24-80
1981		50.0	50.0	6-2-81
1982		70.0	70.0	6-9-82
1983		30.0	30.0	6-83
1984	Basic	5.1	5.1	6-13-84
	Excess	15.0	15.0	6-13-84
1985		NO ACTIVITY		
1986		9.3	0.0	9-86
1987		12.2	12.2	6-87
1988		8.9	8.9	6-15-88
1989		NO ACTIVITY		

Exhibit 12D
New York Rate Filings

Year	Percent Asked For	Percent Approved	Date Approved, Disapproved, or Pending
1977	90.0%	15.5%	6-77
1978	98.0	Disapproved	6-78
1979	104.0	Disapproved	6-79
1980	186.0	Disapproved	6-80
1981	210.0	58.5	10-81
1982	243.0	15.0	12-82
1983	180.0	83.3	1-85
1984	62.0	52.3	1-85
1985	128.0	14.0	7-86
1986	135.0	9.0	7-86
1987	115.0	9.0	7-87
1988	77.0	5.0	7-89
1989	24.0	-5.0	7-90

Exhibit 12E
Rhode Island Rate Filings

Year		Percent Asked For	Percent Approved	Date Approved, Disapproved, or Pending
1977		NO ACTIVITY		
1978		34.1%		No hearing
1979		9.7	9.7%	6-27-79
1980		25.3		Withdrawn
1981	Basic	7.4		
	Excess	12.7		
	Total	21.0	12.7	6-17-81
1982	Basic	41.3	23.1	6-23-82
1983	Basic	43.3	24.0	6-30-83
	Excess	24.7		
1984	Basic	44.6	11.5	6-27-84
	Excess	25.9	16.7	
1985	Basic	101.3	30.0	6-28-85
	Excess	14.8	14.8	
	Total	131.3		
1986	Total	91.4	36.1	7-1-87
1987	Basic	78.0	5.6	7-1-87
	Excess	9.3	28.9	
1988	Total	55.3	19.9	6-30-88
1989		NO ACTIVITY		

Exhibit 12F
South Carolina Rate Filings

Year		Percent Asked For	Percent Approved	Date Approved, Disapproved, or Pending
1977	Physicians	50.0%	50.0%	7-1-77
1978	Hospital	133.0	133.0	7-1-78
1979		NO ACTIVITY		
1980		NO ACTIVITY		
1981	Physicians	40.0	40.0	7-1-81
1982		NO ACTIVITY		
1983	Physicians	25.0	25.0	7-1-83
	Hospital	20.0	20.0	7-1-83
1984		NO ACTIVITY		
1985	Physicians	25.0	25.0	1-1-85
	Hospital	40.0	40.0	1-1-85
1986	Physicians	25.0	25.0	1-9-86
	Hospital	45.0	45.0	1-9-86
1987		NO ACTIVITY		
1988		NO ACTIVITY		
1989		NO ACTIVITY		

Exhibit 12G
Texas Rate Filings

Year	Percent Asked For	Percent Approved	Date Approved, Disapproved, or Pending
1977	NO ACTIVITY		
1978	NO ACTIVITY		
1979	NO ACTIVITY		
1980	NO ACTIVITY		
1981	50.0% (A)	Disapproved	4-16-81
1982	NO ACTIVITY		
1983	263.0 (B)	263.0	11-10-83
1984	NO ACTIVITY		
1985	50.0 (C)	50.0	5-21-85
	50.0 (D)	50.0	10-29-85
1986	156.3 (E)	104.7	8-1-86
	161.9 (F)	109.9	8-1-86
1987	29.8 (E)	29.8	9-25-87
	12.9 (F)	12.9	9-25-87
1988	11.6 (E)	-4.2	2-1-89
	58.7 (F)	19.2	2-1-89
1989	NO ACTIVITY		

(A) Hospital
(B) Dentists and oral surgeons
(C) Physicians, surgeons, hospitals, and other institutions
(D) Podiatrists
(E) Physicians and other non-institutional health care providers
(F) Hospitals and other institutional health care providers

Exhibit 12H
Wisconsin Rate Filings for Physicians

Year	Percent Asked For	Percent Approved	Date Approved, Disapproved, or Pending
1984	51.5%	35.0%	7-1-84
1985	69.6	69.6	7-1-85
1986	32.2	32.2	7-1-86
1987	9.8	9.8	7-1-87
1988	2.5	2.5	7-1-88
1989	8.0	8.0	7-1-89

Wisconsin Rate Filings for Hospitals

Year	Percent Asked For	Percent Approved	Date Approved, Disapproved, or Pending
1984	67.2%	49.0%	7-1-84
1985	52.4	52.4	7-1-85
1986	51.4	51.4	7-1-86
1987	23.1	23.1	7-1-87
1988	23.8	23.8	7-1-88
1989	13.2	13.2	7-1-89

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